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95-2

# U.S. TROOP WITHDRAWAL FROM THE REPUBLIC OF KOREA

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## A REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

BY

Senators HUBERT H. HUMPHREY

AND

JOHN GLENN



JANUARY 9, 1978



NOTE.—Sections of this committee print, originally classified secret, have been deleted at the suggestion of the Executive Branch. Deleted material is indicated by the notation "[Deleted]."

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## NOTE

As the date on the letter that follows indicates the final draft of this Joint Report from Senator Hubert Humphrey and myself was in the process of being printed at the time of his death. One of the last letters I received from him just a short time earlier dealt with details of this report. I knew personally of his extreme interest in these matters and his concern that they be handled with great care.

Hubert's experience, vitality, counsel, and wisdom will be missed. While I am saddened by our loss of his presence, I am honored and happy to release our joint report.

JOHN GLENN.



## LETTER OF TRANSMITTAL

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UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
Washington, D.C., January 9, 1978.

Hon. JOHN SPARKMAN,  
*Chairman, Committee on Foreign Relations,*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: On March 9, 1977, President Carter announced his Administration's intention to withdraw all U.S. ground combat troops from the Republic of Korea in four to five years. Specific measures implementing this decision were developed during the spring of 1977 and announced during the July 26, 1977, U.S.-South Korean security consultative meeting. Earlier in June 1977, the Committee on Foreign Relations held three days of closed hearings on the withdrawal plans.

The President's decision to withdraw troops from Korea will have a critical impact on the peace and stability of East Asia. Indeed, one of the most important but often overlooked aspects of the Korean withdrawal is the effect it has on other East Asian nations. These countries see it as one of a series of steps indicating a weakening United States commitment to that region.

To compensate for withdrawal the President has proposed an \$800 million military aid package in addition to already planned annual aid of \$275 million. The Full Committee plans to hold hearings on this subject early this year.

Because of the importance of the President's decision, the Subcommittee on Foreign Assistance and the Subcommittee on East Asian and Pacific Affairs cooperated in an oversight effort which included two trips to the area. At the direction of Senator Humphrey, Committee staff member Dr. Hans Binnendijk and consultant Lt. General Herbert Beckington (USMC Ret.), traveled to Asia from August 1-19 to assess the situation. Later in August, Senator Glenn visited Korea and Japan accompanied by Committee staff member Roy Werner.

We have jointly written this report on "U.S. Troop Withdrawal from the Republic of Korea" in an effort to provide background material for this year's hearings. The report concludes that negotiations between North and South Korea are stalled and North Korea has over the past seven years developed an impressive offensive capability. U.S. troop withdrawal must, therefore, proceed with great care and with renewed diplomatic efforts to reduce tensions in the Korean peninsula,

while being mindful that those decisions will also have a major impact on all nations in the East Asian region. The report reflects only our opinions and not those of the Subcommittees.

HUBERT H. HUMPHREY,  
*Chairman, Subcommittee on  
Foreign Assistance.*

JOHN GLENN,  
*Chairman, Subcommittee on  
East Asian and Pacific Affairs.*

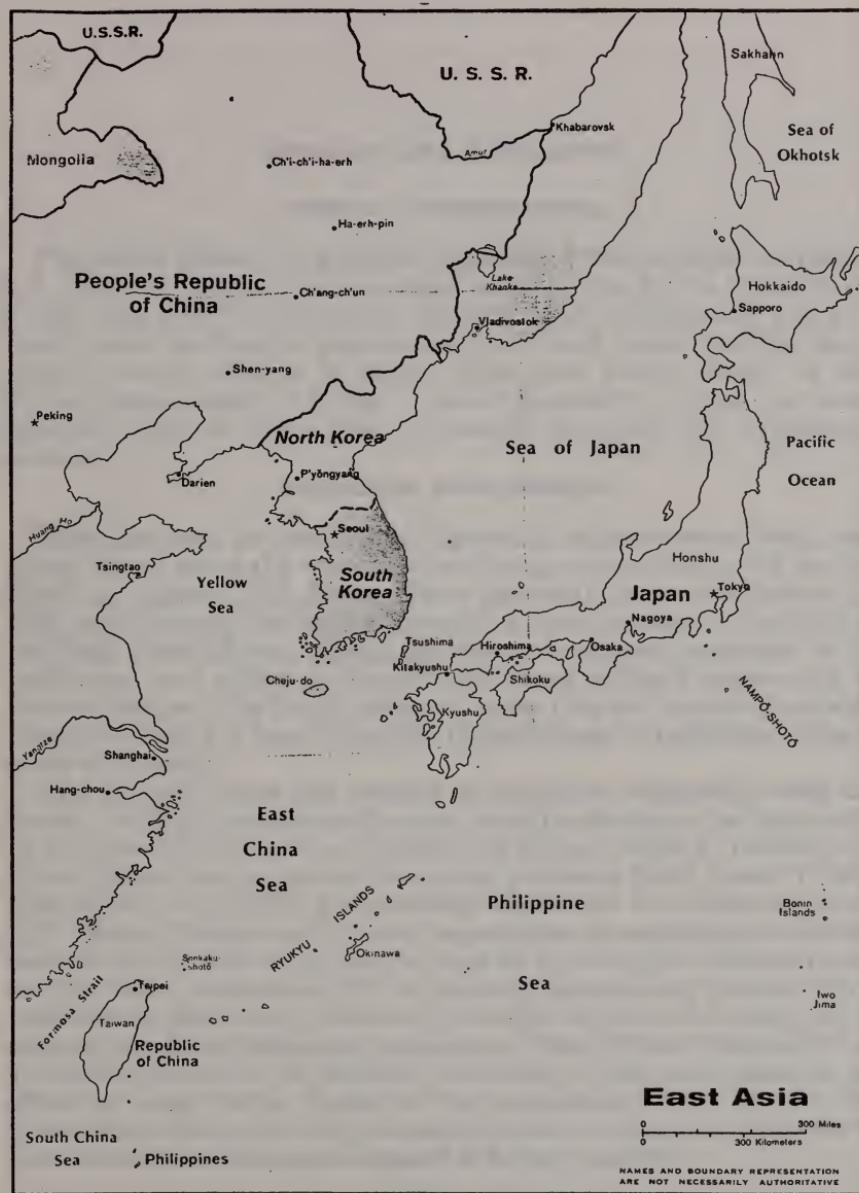
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## SUMMARY AND CONCLUSION

### REGIONAL CONSIDERATIONS

The Soviet Union, the People's Republic of China, Japan and other U.S. allies in Asia all have a vital stake in the future stability of Korea. The PRC and U.S.S.R. publicly urge withdrawal, but privately there has been no pressure on the United States, leading many Administration officials to believe that both would rather see the United States remain in Korea to assure its stability. Japan, our most important ally in Asia, has reluctantly accepted the President's decision.

### DIPLOMATIC DEVELOPMENTS

There has been no progress in diplomatic talks between North and South Korea since the reunification dialogue was broken off by the North in August 1973. South Korea generally favors the status quo with reunification developing through a slow process of confidence-building. North Korea rejects the slower functional approach to reunification and wishes to discuss significant military issues such as force reduction. The North refuses to enter into any negotiations with President Park but has invited the United States to negotiate military issues bilaterally.

The United States has refused to negotiate bilaterally with the North (DPRK), because such action would undermine the legitimacy of the Government of the Republic of Korea (ROK). Instead, the United States has on several occasions proposed Four Power (PRC, U.S., ROK and DPRK) discussions which the North has rejected. U.S. effort to initiate multilateral negotiations in an attempt to reduce tensions on the Korean peninsula prior to U.S. troop withdrawal have not yet been productive. By unilaterally announcing ground troop withdrawal, the United States may have lost an important bargaining chip in any force reduction negotiation. The United States still has the option, however, to threaten reversing withdrawal plans in an effort to bring North Korea to the negotiating table. The United States also retains the complementary option to improve U.S.-North Korean relations through increased informal contacts.

### PRESIDENT CARTER'S DECISION

By May of 1975 candidate Carter had pledged to withdraw all U.S. ground combat troops from Korea within four to five years if he became President. The options in Policy Review Memorandum on Korea (PRM 13) were designed primarily to implement a decision already announced by the President on March 9, 1977. The estimate in PRM 13 indicating that North Korea has an important firepower advantage over South Korea alone was discounted because of the continuing U.S.

air, naval and ground support role after 1981. The reasons for withdrawal cited by the Administration are South Korea's economic progress, wavering congressional support for a continued U.S. presence in Korea, and U.S. détente with North Korea's two principal allies.

Because of the predetermined nature of the President's decision, South Korean officials believe that they were not consulted but were only "informed." Between March and July 1977 they knew only that U.S. troops would be leaving, but they were uncertain about timing and compensation. As a result, great anxiety existed in South Korea. The July 1977 Security Consultative Meeting in Seoul provided the first real consultations and firm U.S. promises regarding compensation, and as a result reduced the concerns of South Korean officials.

#### MILITARY BALANCE

The military balance between the North and South Korean forces, has shifted from rough parity in 1970 to a definite advantage for the North in 1977. The principal advantages for the North today lie in ground weapons (tanks, artillery, mortars), quantity of fighter aircraft and quantity of naval combat vessels. The resulting firepower advantage, however, is at least partially offset by South Korea's favorable terrain for defense and the presence of U.S. forces. The military balance can be restored over time through U.S. military sales to South Korea and increased South Korean domestic defense production, but when this may be achieved is unpredictable.

#### MILITARY POSTURE

North Korean ground forces are in an offensive posture along the DMZ, either to take advantage of a military opportunity or to use these dispositions as a bargaining chip in any force reduction negotiations. With a firepower advantage and forward positioning, North Korea has the option of a surprise attack. If surprise were attained, South Korean defenses would be in serious jeopardy and the possibilities of a breakthrough to Seoul would be increased.

U.S. commanders do not have great confidence in the U.S./ROK ability to detect a surprise attack because of the extraordinary security precautions taken by North Korea. The ability of Peking and Moscow to restrain Pyongyang is reduced because North Korea has sufficient military supplies to fight a short war. The offensive posture, self-sufficiency and firepower advantage of North Korean ground forces are the most destabilizing factors on the Korean peninsula.

#### U.S. FORCES

American forces in Korea currently number about 40,000. The President's withdrawal decision affects 14,000 troops of the 2d Infantry Division and additional Army elements numbering about 12,000. They will be withdrawn in three stages with the bulk of two key combat brigades and division headquarters remaining until at least 1981. [Deleted.] After 1982 Air Force, Navy and Army support elements numbering about 12,000 troops will remain in Korea to perform vital functions and symbolize the U.S. commitment to the Republic of Korea.

**U.S. ROLE**

The presence of U.S. ground forces in South Korea helps to stabilize the military situation in three ways: it provides considerable fire-power; it provides for an automatic U.S. response that serves as an important deterrent; and the United States is able to orchestrate truce-keeping operations and restrain any overly zealous South Korean reactions to incidents.

Removal of U.S. ground forces [deleted] will weaken deterrence and to some degree increase the threat of war. But, with adequate assistance and time, the U.S. 2d Division's defense function can be replaced by ROK forces. Troop withdrawal will probably require changes in the UN command structure. Without appropriate diplomatic measures to reduce tensions on the Korean peninsula, U.S. ground force withdrawal could result in a less stable situation on the peninsula four years hence. The United States will gain the option not to become involved in another ground war in Asia; but with the United States maintaining its commitment, U.S. Naval and Air Force personnel would undoubtedly be involved if war should break out.

**MILITARY ASSISTANCE**

Current plans call for \$1.9 billion in FMS credits and grant military aid to South Korea through fiscal year 1981. The \$800 million transfer of U.S. equipment currently in Korea requested by the Administration does not contain equipment of the quantity or quality that justifies concern about beginning an arms race in the area. In addition, Congressional approval has taken on a symbolic nature far in excess of the value of the equipment, not just in Korea but to many nations in the Western Pacific and East Asian area. Disapproval of the entire package would be translated in South Korea, Japan and the many other very concerned nations of the region as a decided lack of commitment by the United States, a commitment they have already seriously questioned from a series of moves made by the United States in the last year.

In light of South Korea's economic progress, the specific grant aid terms of the package should be the subject of further analysis.

Concern in the Administration about the firepower gap could result in additional arms sales with important arms control implications. For example, the Administration is considering the sale of F-16's for South Korea. This would introduce highly sophisticated weapons into a new region for the first time and appears inconsistent with the President's arms transfer policy. Another unresolved military sales problem is the disposition of nearly \$1 billion in U.S. ammunition stockpiled in Korea and earmarked for ROK use.

**ROK DEFENSE INDUSTRIES**

South Korea's domestic defense industry is the key to its ability to defend itself in the future. North Korea has a well-developed domestic defense industry while the South has previously relied on imports. Pressures to rapidly develop this industry have led to two major problems: quality control and weak management.

South Korea has the technical capability to produce nuclear weapons. [Deleted.] With a major effort and plutonium from an external source, some experts believe the South Koreans could develop a bomb in a few years.

#### HUMAN RIGHTS

The human rights situation in South Korea needs improvement and warrants continuous U.S. diplomatic attention. There are few political freedoms, and an estimated 150 political prisoners are in jail. Recent signs indicate some easing of the human rights problem. For example, according to several dissidents interviewed by the Committee staff, no cases of torture have been reported for two years.

North Korea, by comparison to the South, has an abysmal human rights record. All aspects of life in North Korea, including politics, religion, education, occupation and domestic travel, are totally controlled by the state. Comparatively, the South has few controls on both political and nonpolitical aspects of life.

#### ROK ECONOMIC FUTURE

The Republic of Korea's economic future looks bright. Despite world recession and the threat of trade protectionism, South Korea's export-led economy has generated an average GNP growth of 11.2 percent since 1973. Future defense spending will increase from its current 6.5 percent of GNP, however, and could cause some slowdown in growth. Although South Korea's total debt is expected to increase significantly during the next five years, its debt service ratio is projected to decline from 11.0 percent in 1977 to 10.5 percent in 1981. Barring unforeseen energy supply or trade protectionism problems, South Korea might be able to pay for its own defense if adequate credit terms are made available through the FMS program.

#### SOUTH KOREAN POLITICS

Political development in South Korea's society is characterized by authoritarian central government, weak and fragmented opposition parties and limited tolerance for dissent. The inevitable conflict between a traditional Confucian society with its emphasis on extreme respect for, and compliance with elders and rulers, and Western democratic concepts is not fully resolved.

## RECOMMENDATIONS

1. The Senate should review the military transfer authorization based upon the political-military needs of the area and avoid linking it to the bribery scandal. Long term U.S. political alignments in the whole East-Asian region must not be jeopardized for the short-term objectives of the scandal investigation.

2. Because of the current imbalance between North and South Korean forces on the peninsula, each phase of U.S. troop withdrawal should be approached most cautiously. To assure Congress that withdrawal can proceed with minimum risk, legislation should be submitted requiring a detailed Presidential report prior to each withdrawal phase. The report would include assessments of the military balance on the peninsula, the impact of withdrawal on the military balance, the adequacy of U.S. military assistance, the impact of withdrawal on the UN and ROK command structure, ROK defensive fortifications and defense industry developments, the U.S. reinforcement capability, and the progress of diplomatic efforts to reduce tensions in the area.

3. Our East Asian allies should be adequately consulted *prior* to each phase of the proposed withdrawal.

4. The U.S. should continue through word and deed to make clear its continuing commitment to South Korea in order to avoid any chance of a North Korean miscalculation.

5. A major diplomatic offensive should be undertaken to try to bring both Koreas to the negotiating table. The negotiations should focus on arms control measures, troop withdrawals from the DMZ area, nonaggression pacts, and confidence building measures. ACDA should be directed to study possible arms control alternatives to be explored during the negotiations.

6. The United States should not recognize North Korea without reciprocal recognition of South Korea by North Korea's allies. The U.S. should, however, match informal contacts and gestures which the PRC and USSR are making toward South Korea.

7. The human rights situation in South Korea needs constant diplomatic attention, but Congress should keep in mind that the human rights record of North Korea is infinitely worse.

8. Several technical matters should be considered in connection with the military transfer authorization request including: (a) the need to authorize a specific list of equipment or a dollar ceiling; (b) the method of depreciation and replacement costs used by the Executive Branch; (c) whether loans rather than a direct grant are appropriate; (d) the impact of this transfer on U.S. Army readiness; and (e) the desirability of a Presidential determination that the transferred equipment does not significantly alter either the qualitative or quantitative military balance.

9. The Committee on Foreign Relations should scrutinize any projected sale of F-16 aircraft to South Korea, given the implications for an escalation of a Korean arms race.

10. The Military Assistance Advisory Group for South Korea should again be authorized in FY 1979. Technical assistance teams to help South Korea improve its defense industries, on a reimbursable basis are warranted.

11. The use of War Reserve Stocks, Allies (WRSA) should be evaluated as to financing, eventual utilization, and conditions for transfer to South Korea.

## I. THE REGIONAL SIGNIFICANCE

Asia has been one of the world's most unstable and violent regions thus far in the 20th century. Four major powers (China, Japan, the Soviet Union and the United States) regard developments in north-east Asia as significant. In this context, the prospects for war or peace in the region are of critical importance and the U.S. commitment to South Korea has implications that are regional and global in scope.

The Korean peninsula has historically occupied a central role in regional politics. Today it is a potential flashpoint. Great power interests intersect in Korea and reflect their respective national self-interests. However, the changing international environment in this decade has lessened the potential for violence. "Détente" between Moscow and Washington, rapprochement between Peking and Washington and the non-military role of Japan have created an era of reduced tensions.

Yet, none of these powers can exercise "control" over the policies of their Korean ally. Too often Americans think of Korea in a vacuum, emphasizing only the military balance between North and South Korea. The crucial point, however, is that developments in Korea affect all of East Asia, involve several great powers, and are potentially destabilizing to the present international equilibrium.

### NORTH-SOUTH KOREAN DIALOGUE

Currently the governments of the two Koreas are unable to agree on a negotiating format. Diplomacy is at a standstill.

The genesis of earlier North-South talks was a statement by President Park on August 15, 1970, in which he emphasized a willingness to seek reunification if the North first renounced the use of force. This "détente" followed a period of tense confrontation in the 1960's during which guerrilla raids and "incidents" along the DMZ were commonplace.

The thaw in Chinese-American relations resulted in apprehension and uncertainty in both Koreas. Shortly after the August 12, 1971, announcement of the impending Nixon visit to Peking, a South Korean Red Cross offer was made for the two Koreas to discuss divided families. The first meeting took place on August 20, 1971. Other talks followed. There was an exchange of secret visits in May 1972. Then on July 4, 1972, a joint communique revealed that meetings had been held between representatives of the North and South to discuss reunification. The communique announced the formation of the North-South Coordination Committee to facilitate discussions on a variety of problems. Probably this dialogue developed because each side perceived possible advantages: North Korea could display a "reasonable" attitude and perhaps encourage a U.S. withdrawal; South Korea could achieve internal political gains while daunting North Korean subversion and infiltration attempts. Then, on August 28, 1973, Radio

Pyongyang announced that North Korea was withdrawing from the Coordination Committee, evidently believing Seoul's real objective was the retention of the status quo.

North Korea's leader, Kim Il Sung, remains committed to unification but does speak of a transitional confederation. For example, he urged admission of a Confederate Republic of Korea to the UN. He rejects, however, any action that would give legitimacy to the Republic of Korea (ROK) such as UN membership for both, mutual recognition, or ROK participation in revising the 1953 Armistice Agreement.

Relations between North and South Korea remain hostile. The North-South talks which began in 1972 have not produced any significant results. With the exception of periodic working-level meetings of North and South Korean Red Cross representatives at Panmunjom, the talks are effectively suspended at the moment. The South continues to propose a resumption of a dialogue focused on incremental reunification. It wishes to discuss humanitarian measures such as family visits and mail exchanges. The North has rejected these proposals, wishing to focus instead on major military issues such as force reductions and arms limitations. The North further states that it cannot talk with the South as long as the Park regime remains in power. Instead, the North has requested bilateral talks with the United States, which the U.S. has rejected since South Korea would not be included.

The United States generally supports the South Korean diplomatic position and has called several times for the Four-Power talks to ease tensions. Such talks have not, however, been started. Determined efforts to use available leverage to bring both sides to the negotiating table prior to U.S. ground troop withdrawal from the area have not been productive.

Although 49 nations recognize both North and South Korea, the North appears to be losing ground in its efforts to isolate the South internationally. North Korea is now recognized by 91 countries. South Korea, however, is now recognized by 101 countries. Earlier in 1975 the United Nations General Assembly passed contradictory resolutions favoring each side. But, as the 1976 United Nations General Assembly session illustrated, North Korea did not materially improve its international political standing. Both Koreas have observer missions at the UN, and the ROK has applied unsuccessfully for UN membership.

The failure of the joint dialogue seemingly drove the North and South further apart. Positions became intractable. South Korea emphasized security above all else. North Korea continued to call for unification, but only on Communist terms. The dramatic recognition of differing economic, political and ideological systems apparently brought a stark realization of the futility of further discussions on both sides at that time.

#### UNITED STATES INTERESTS

The United States has local, regional and worldwide interests in maintaining stability on the Korean peninsula. U.S. forces have a political mission, symbolizing the U.S. commitment to the ROK, and to the region—a fact often overlooked. The outbreak of war would undo 24 years of successful U.S. peacekeeping efforts. Hostilities would

force the United States either to commit additional combat forces or to appear to renege on our security treaty commitment to South Korea. War on the peninsula could easily upset the delicate United States-Chinese-Soviet balance that has developed since 1972.

Since the Korean war, the primary U.S. role in Korea has been military. Since 1950 the United States has maintained a military presence in Korea under the auspices of the United Nations (UN), reflecting the decision expressed in the UN Security Council Resolution S/1511 (July 27, 1950), which urged member states to furnish assistance to the ROK to repel an armed attack from North Korea. The stationing of U.S. troops in South Korea is also consistent with, but not required by, the U.S.-ROK Mutual Defense Treaty (1954) which states that (1) "an armed attack in the Pacific Area on either of the Parties . . . would be dangerous to its own peace and safety" and (2) that each party will "meet the common danger in accordance with its constitutional processes." President Carter stated that troop withdrawal will not affect this commitment and has publicly reaffirmed it on several occasions.

A U.S. military presence has also been necessary because of the 1953 Armistice Agreement. Since the United States signed the armistice rather than South Korea, the United States is responsible under the agreement for truce keeping. Technically, a state of war continues interrupted by an armistice now in its 24th year. Both the United States and the Republic of Korea have repeatedly called for a more permanent arrangement, but all such attempts have been rejected by the North.

Because of the importance of stability in Korea, the United States shares with China, Japan and the Soviet Union an interest in easing tension on the peninsula. The President's decision to withdraw U.S. ground troops from Korea has naturally caused other Asian states to reconsider the role of the United States in East Asia. Korean developments thus are a key to stability in the region.

#### THE CHINESE-SOVIET EQUATION

A major factor currently shaping the strategic balance in northeast Asia has been the convergence of Chinese and Soviet interest in maintaining Korean stability. Both are Pyongyang's treaty allies and traditional military suppliers. Both, in part because of their political rivalry with each other, publicly support North Korea's call for withdrawal of U.S. forces from the South. Nevertheless, both Peking and Moscow may value relations with the United States and Japan above North Korean ambitions for reunification. They seek to disassociate themselves from Kim Il Sung's more rash actions and view the U.S. security commitment to Seoul as a useful ingredient in keeping peace on the peninsula and restraining Japanese rearmament.

The Chinese and Soviets are probably concerned that any withdrawal of U.S. ground forces be accomplished in a manner that does not disrupt the existing political and military balances. As long as a U.S. force reduction is accompanied by effective compensating measures—and the maintenance of U.S. air and naval power in the area—it will probably not be seen by Moscow and Peking as the removal of a

credible U.S. security commitment to South Korea. But, if Kim became convinced that the United States no longer posed a credible deterrent and that quick victory might be possible, it is possible that neither Moscow nor Peking would be able to restrain him. It is this possibility that endangers peace since North Korea is thought to be able to fight a "short war" of 30 to 90 days without resupply by either the PRC or the U.S.S.R. Moreover, despite the high priority Moscow and Peking attach to the pursuit of useful relations with Washington, they would have little choice but to side, no matter how unenthusiastically, with Kim Il Sung in the event of war.

From a North Korean perspective, the Sino-Soviet conflict has been useful since it allows them to assert their independence and to play each ally against the other. Certainly there have been periods when either Moscow or Peking appeared to be the principal ally. Currently, China seems to be closer to Pyongyang than the Soviet Union. However, since neither of North Korea's mutually hostile allies wish to see the other gain a dominant position, Kim Il Sung's leverage is increased against both allies.

Neither Communist ally is now willing to alienate North Korea by endorsing a "two Koreas" policy. Moscow might be more willing to consider such a division of the peninsula, given the German precedent, if it were not for this political competition. China, however, cannot publicly consider this concept because of its claim to Taiwan, a position that could appear weakened if "two Koreas" became entrenched on the international scene. Yet, both Communist powers have been careful to emphasize "peaceful unification" as their goals. This distinction, apparently unshared by Kim Il Sung, must restrain North Korea and cast doubts about their support for overtly aggressive actions. Pyongyang, however, has no options except to rely on assistance from "fraternal friends" and play off the Communist giants against one another to North Korea's advantage.

#### THE SOVIET UNION

North Korea is a creation of the Soviet Union (as South Korea was of the United States). Today, Moscow is Pyongyang's largest trading partner and source of economic aid. Under Soviet tutelage institutions, values and a new socio-economic order were formed. During the formative 1945-1953 period, Kim lauded Stalin and the Soviet Union. Yet, by 1958 a policy of self-reliance was promoted despite North Korea's obvious dependence upon Soviet economic and military aid. Soviet influence waned during the 1960s despite a 1961 Friendship Treaty. By August 1973, 38 ROK athletes were allowed to participate in the World Student Games in Moscow. The North Koreans, in protest, refused to participate. Then again, in 1975, ROK athletes competed in the U.S.S.R. Nevertheless, because of the political competition between the U.S.S.R. and the PRC, the Soviets have supported North Korean calls for the withdrawal of American troops from South Korea and opposed the admission of South Korea to the United Nations. Further, in the opinion of some government observers, because the Soviets see Kim's Communism as too close to the Chinese version, there is ideological opposition to Kim's regime. Finally, Soviet national interest is

best served by a divided, not a unified, Korea. Unpredictable Kim could perhaps draw the Soviet Union into a conflict with the United States. Indeed, given the seizure of the U.S. Navy ship *Pueblo*, the EC-121 aircraft incident, and the ax murders on the DMZ, there is a Soviet fear that Kim could involve the U.S.S.R. in war. The Soviet Union naturally prefers to maintain maximum flexibility when deciding whether to go to war and, therefore, maintains some distance from Kim Il Sung.

In late 1974 Pyongyang again began to assert that the Seoul Government was not independent, but a "puppet" of the United States. North Korea then warned that "socialist" states (presumably the PRC and the U.S.S.R.) "cannot deal with puppets . . . still less recognize them." ("FBIS Trends in Communist Propaganda," January 15, 1975 (p. 30). More importantly, Pyongyang may be fearful that Moscow may recognize South Korea in some future "deal" with the United States.

Recently, however, the Soviet Union has been less supportive of Kim Il Sung's bellicose statements and actions. Although Kim Il Sung visited China, Eastern Europe and North Africa in 1975, he has not been received in Moscow since 1961. Nor has a member of the Soviet Politburo been to North Korea since Kosygin's visit in 1965. However, in January 1977 North Korean Premier Park Song Chol, visited the Kremlin and spoke with both Leonid Brezhnev and Aleksey Kosygin. Soviet propaganda has also taken a less cordial tone. Soviet media still refers to "two Korean states" and the U.S.S.R. has yet to endorse North Korea's claim to be the "sole sovereign state" on the Korean peninsula. Most importantly, as various government analysts point out, the available evidence since 1974 suggests that Soviet military assistance is steadily declining. Trade between the two nations has also declined (this development probably reflects \$700 million in defaults by Pyongyang in payment on credits).

The most recent evidence of the Soviet attitude is found at the September 9, 1977, banquet marking the 20th anniversary of the DPRK, where Mr. Solomentsen, candidate member of the CPSU Central Committee Politburo, said, "we support the proposals . . . to create conditions conducive to reunifying the country on a peaceful and democratic basis, without any outside interference, after the withdrawal of all foreign troops from South Korea." This and earlier evidence suggests that the Soviet Union may be content with the status quo.

There are many important issues in the U.S.-Soviet relationship: SALT, trade relations, implementation of the Helsinki agreement, and negotiations for Mutual Balanced Force Reductions. Moscow will continue to deal with each of these on its merits. In Brezhnev's report to the 25th CPSU Congress in February 1976 on the world situation, no mention was made of the Korean problem. In this context, then a withdrawal of ground forces from South Korea will not significantly complicate the U.S.-Soviet relationship or lead Moscow to conclude that the United States is less of a global adversary.

#### CHINA

Peking, unlike Moscow, has actively supported North Korea's positions on reunification. In a joint communique following Kim's visit

to China, on April 26, 1975, the Chinese acknowledged that the Democratic Peoples Republic of Korea (DPRK) was "the sole legal sovereign state of the Korean nation." A coupling between Korea and Taiwan was made explicit by the pledges of mutual support since each nation suffers a "divided homeland." However, the Chinese specifically supported only peaceful reunification. Further, given Soviet influence in both Hanoi and Pyongyang, Peking has moderated its criticism of the American presence in East Asia. However, despite Chinese limitations in utilizing various forms of aid as a tool of influence in their competition with the Soviet Union, the Chinese do exercise greater influence than the Soviets. The Chinese currently supply more military assistance than the Soviets, even though in 1972 almost 80 percent of DPRK military aid came from the U.S.S.R. Moreover, Korea has historically been a part of the Chinese sphere of influence. Thus, it is not surprising that China is today the predominant external influence on Pyongyang.

China is, naturally, quite sensitive to Soviet influence in North Korea. Indeed, because of the Chinese perception of Soviet expansionism as their major threat, the Chinese are anxious that the withdrawal of ground forces not lead to instability in the region. China shares an 800-mile common border with North Korea near significant Chinese industrial bases. Hence, in the event of widespread Sino-Soviet conflict, North Korea's role as a buffer state cannot be underestimated. In recognition of this, the Chinese have deployed sizable military forces in the Shenyang Military Region adjoining Korea. In addition, Chinese diplomats have told foreign colleagues that the PRC wants the U.S. Seventh Fleet to remain in the region.

More specific examples of Chinese concern arise from the 1961 treaty between China and North Korea which like the Soviet treaty contains an automatic defense clause if the DPRK is attacked. Obviously, such an event could mean war with the United States, and, presumably, this is not desirable. Thus, during Kim's 1975 visit, it was reported that China urged restraint by Kim.

China, thus can retain closer ties with the DPRK, to the Soviets disadvantage, while remaining cautious. For instance, in an editorial honoring the 29th anniversary of the DPRK this year, the People's Daily observed, "The Chinese people resolutely support the Korean people in their struggle against U.S. imperialist aggression and for an independent and peaceful reunification of the fatherland."

A U.S. force reduction, in and of itself, will not lead China to abandon its basic foreign policy strategy of developing a U.S. connection. But it will raise some troublesome implications in Peking. It is widely believed that the Chinese tacitly support a U.S. military presence in South Korea [deleted] as an element of the strategic counterweight to the threat of Soviet "encirclement" of China. The extent to which Peking perceives its U.S. relationship to be valuable will depend in part on a continued U.S. ability to project air and naval power throughout the region. Moreover, Peking will continue to place great weight on its reading of U.S. resolve in dealing with the U.S.S.R. in such bilateral matters as SALT.

Recent United States-Japanese summit communiques have always stressed the importance of Korea to Japan. The 1975 Ford-Miki communique, for example, called South Korea's security "essential" to peace in northeast Asia. On the occasion of Vice President Mondale's visit to Tokyo in February 1977, Prime Minister Takeo Fukuda said the "Korean situation deeply affects the peace and stability of East Asia, including Japan." There are several reasons for Japan's concern. First, Korea has historical and domestic political importance to Japan. The only pre-World War II attempts at invasion of Japan were staged from Korea across the 100-mile wide Korean straits. In addition, about 600,000 Japanese of Korean origin live in Japan today and millions of refugees would be expected if the Republic of Korea fell. Second, Korea is of economic importance to Japan. The current trade volume between South Korea and Japan is \$3.7 billion and total Japanese investment in Korea is estimated at \$690 million. Third, Korea is of international political and strategic importance to Japan. Japan views East Asian strategic politics as tripolar, with the United States, the Soviets and the PRC determining Japan's fate. The situation in Korea is the vortex of these relationships and thus Japan views its own fate as inextricably linked with that of Korea. If the United States fails to protect the Republic of Korea, the Japanese would have little confidence in the U.S. determination to defend Japan. Under these circumstances the rearmament of Japan might develop, a situation that would shatter the fragile balance that now exists in East Asia.

The Japanese public, however, is far less concerned about the withdrawal than the Japanese Government. The Japanese public, however, has lived under its "no war" constitution for 30 years and generally pays little attention to security issues. A nationwide poll taken in December 1976 showed that 34 percent of those polled felt U.S. troops in Korea were important to Japan's security, 32 percent felt they were not important, and 34 percent did not know. The December poll further showed that 61 percent of those polled would oppose the American use of bases in Japan if North Korea attacked South Korea. A majority favored strengthening Japanese relations with both Koreas. A more dramatic March 29, 1977, poll in Tokyo and Osaka revealed that 60 percent felt U.S. troop withdrawal from Korea would have "almost no effect" on Japan's security. Only 28 percent in the March poll thought that Japan should strengthen its own defense power if U.S. forces would leave South Korea.

Some Japanese opposition groups come closer to representing public opinion on these issues than do the conservative and moderate wings of the ruling Liberal Democratic Party. A Socialist Party leader Hideo Den, for example, told Senator Glenn and staff that Kim Il Sung desires peace and urged the United States to begin bilateral negotiations with North Korea. Similarly, LDP Dietman Chuji Kuno led a recent delegation to Pyongyang and issued a joint communique with North Korea "insisting upon" the withdrawal of all U.S. forces and nuclear weapons from Korea.

Official thinking has undergone several changes according to some U.S. officials in Tokyo. The first phase dates from the election to Vice President Mondale's Tokyo visit in late January 1977. During this period, the Japanese Government was disheartened by Carter's campaign pledges, and confidence in the United States was at a low point. In December 1976 a public opinion poll showed that Japanese public confidence in the U.S. defense commitment dropped significantly over a poll taken a year earlier. In Minneapolis, Japanese Ambassador Togo told the city's Japanese-American Society that the continued U.S. presence is necessary in South Korea to maintain peace in Asia.

The second phase began with Vice President Mondale's arrival in Tokyo. It was made clear that the U.S. position on withdrawal was firm, but that withdrawal would be gradual. Public criticism of the withdrawal decision by Japanese Government officials ceased. Foreign Minister Hatoyama stressed the positive during a January 30, 1977, news interview by saying that he was "relieved" that the withdrawal would be gradual.

The third phase evolved during the U.S.-ROK consultations. In particular, the July 1977 security consultative (SCM) meeting and the American reaffirmation of its commitment to South Korea eased Japanese fears. After the meeting, Secretary of Defense Harold Brown stopped in Tokyo to reassure the Japanese, reiterating the U.S. determination to remain an Asian power. Japanese ministers this time reportedly raised no objections to the U.S. plans. Then in an interview with Ambassador Mansfield and Senator Glenn in August 1977, the Foreign Minister expressed his satisfaction with the most recent developments, referring to the July SCM between the United States and South Korea.

The official Japanese view today is that troop withdrawal is a bilateral United States-South Korean issue and that Japan will "go along" with the withdrawal if South Korea is satisfied with the compensatory aid package. Currently, they reluctantly accept what they consider a fait accompli and place great symbolic value on compensatory measures. However, they are waiting anxiously in the hope that favorable conditions will be established for the withdrawal. According to several sources, the conditions they seek are:

- maintenance of the military balance through adequate military aid;
- continued efforts to prevent a North Korean misunderstanding of U.S. intentions;
- a resumption of the North-South Korean dialogue; and
- major power commitments to peace in the area.

The United States has already taken steps concerning the first two points. Progress on the latter two points is likely to be slower, and several Japanese interviewed blame the United States for not using withdrawal as leverage to help produce a diplomatic solution.

Hence, the Japanese Government's reaction will be moderate as long as the Korean situation remains manageable. No increases beyond the self-imposed limit of one percent GNP level (present rate of 0.9%) are expected in defense spending during the next few years. No serious thought is being given to sending Japanese troops or military aid to South Korea. The July 29, 1976, Defense White Paper

concludes that it is "unlikely" that there will be large-scale hostilities in Korea in the immediate future. The White Paper calls for modest qualitative improvements in fighter and ASW aircraft and signals no return to militarization. Any increase in Japan's military posture is likely to remain conventional rather than nuclear unless northeast Asia becomes an area of much greater instability. Such instability might be caused by a total U.S. withdrawal from northeast Asia, a successful North Korean invasion of South Korea, or development of nuclear weapons by North or South Korea.

Barring these unlikely events, the most likely Japanese action will be (1) increased economic assistance to South Korea to offset increased ROK defense costs; and (2) greater economic, cultural and unofficial political ties with North Korea. The Japanese believe such actions could provide a moderating influence on both Koreas. Finally, Japan will probably continue to try to develop international understandings to help reduce tensions on the peninsula.

#### VIEWS FROM OTHER ASIAN ALLIES

Most of the Asian leaders in Taiwan, the Philippines, Singapore and Thailand interviewed by the Committee staff in August expressed uncertainty about the emerging U.S. policy in Asia. Taken together, the troop withdrawal decision, the possible recognition of the PRC, the hiatus in the Philippines base negotiations, the potential recognition of Vietnam and human rights issues, caused many Asian leaders to see U.S. policy as uncoordinated. In Washington, Asian Ambassadors have similarly spoken with Senator Glenn about U.S. policy in Asia. Their views, comments, and questions are summarized below:

- The United States seems to be far more concerned about improving relations with Hanoi, Peking and even Pyongyang than in strengthening relationships with long-standing friends.
- Would our expressed concerns about human rights seriously alter our relationship with such places as South Korea, the Philippines or Indonesia?
- In light of Soviet moves into the Indian Ocean, how can we even consider "complete demilitarization" of the Indian Ocean?
- Why are we not more concerned about movement of Soviet fishing fleets into the southwest Pacific and even Soviet air-base negotiations in that area?
- Were press reports true, although later denied, that the United States would really consider closing its naval and air bases in the Philippines in light of increased payment demands?
- Did the proposed cutoff of the last year's military assistance funds to Indonesia and Thailand, even though it did not pass in the Senate, indicate a lessening commitment?
- What will be our relationship with Taiwan in the future? Can that long-standing relationship be changed without reduction in confidence in American commitments? Will we sell arms to Taiwan?

—Does our reduction of troops in Korea, even on a five-year basis, indicate reduced commitment to the East Asian overall balance of power? How long will our air and naval forces remain?

With Vietnam experience a recent memory, it is easy to understand why serious questions are raised in the minds of East Asian leaders. No one item on the above list seemed to be singularly critical, but taken together they form a disturbing pattern to those in leadership positions. As expressed to Senator Glenn bluntly by one Ambassador:

"Can we still rely on the United States? We feel inundated by a tidal wave of change. What does it mean? We don't know why you are doing what you are doing."

Secretary Vance's June 29, 1977, address to the Asia Society reassured some. Most countries fear, however, that despite continued statements about U.S. security interests in Asia, the United States is in retreat. Each nation analyzes the impact of what they see as a "power vacuum" in light of its own security situation.

### *Singapore*

Lee Kuan Yew is the most articulate, outspoken critic of the withdrawal decision. On August 4, he told ASEAN leaders:

"For Southeast Asia, the U.S. Secretary of State has spelled out simply that Americans see things in terms of their economic interests. The security considerations of the last two decades are no longer relevant. Their only major strategic consideration in Asia is Japan . . . But this has not inhibited American plans for the withdrawal of all U.S. forces in Korea in five years, despite a distinct lack of Japanese enthusiasm for this step."

Lee has also told reporters that:

"(The troop withdrawal decision) is a momentous decision with profound long-term consequences for the security of the northeast and probably the rest of Asia . . ."

Lee is also believed to feel that:

- withdrawal from Korea is part of President Carter's plan for a decreased U.S. presence in Asia which, in turn, is a specific threat to nations that believe in the capitalist system; and
- the U.S. promise of aid to South Korea to achieve military parity before completion of the withdrawal is an empty one as were earlier British pledges of compensation as they withdrew from Singapore.

Singapore Foreign Ministry officials said that Singapore fears a U.S. retreat from the area because it could (1) trigger events in Indochina, (2) force them to make concessions to the Soviets, and (3) lead to insecurity which would have an impact on their important financial dealings. U.S. Embassy officials believe Singapore is now looking to the Philippine base negotiations as the critical signal for future U.S. policy in the area.

### *Taiwan*

Most people interviewed in the Republic of China appeared uninterested in the Korean decision except that it indicated a general U.S. withdrawal which they fear. Instead in August they were totally preoccupied with the problem of PRC recognition and the U.S.-ROC security agreement. In general, they appear envious that the U.S. was retaining its defense commitment to South Korea and leaving some military forces there. However, because the PRC has linked Korea

and Taiwan as divided homelands, some officials see the creditability of the U.S. commitment to South Korea as an important signal to eventual U.S. decisions regarding normalization with the PRC and the fate of Taiwan.

### *Thailand*

Thai officials feel a close link with South Korea since they sent troops there in 1950. They are concerned with President Carter's Asia policy, but are not unanimous in their attitude toward the Korean decision. Foreign Minister Uppadit said that he saw the Korea decision as part of an overall U.S. withdrawal from Asia and this concerned him. He was not, however, familiar with many details of the decision. Vice Defense Minister Lek, however, said that as a military man he understood that the United States could quickly reintroduce ground forces in Korea and that our continued commitment was the important thing.

The Thai feel besieged and are increasingly turning to ASEAN to provide "moral and psychological" support for their security position. They face 10,000 insurgents and border clashes with Cambodia. As a result, former Prime Minister Thanin took a hard line on basic civil liberties and was overthrown by the military in October. The Thai military places a high premium on U.S. military assistance and in this respect is envious of South Korea. Observers in Thailand watch Washington for the smallest indication of support.

### *Philippines*

The Philippines are concerned about the Korean withdrawal, but the Philippines Under Secretary of Defense stated that his government did not believe the United States would abandon the western Pacific and that the United States would adequately compensate South Korea. The prevalent concern in the Philippines was that Japan might react to the Korean decision by rearming and perhaps eventually developing nuclear weapons. The Philippines are able to take a more relaxed view because of (1) their geographic position; (2) the absence of an immediate security threat; (3) their belief that U.S. bases will remain in the Philippines; and (4) their compensating diplomatic measures after the fall of Saigon.

Base negotiations between the Philippines and the United States are again underway. Ironically, the Korean decision makes the Philippines bases more important than previously, both for their psychological impact and their proximity to Korea. Many Asian leaders interviewed said they would watch the United States-Philippine base negotiations as an indication of U.S. intent in the area. In addition, Clark Air Base's primary mission, absent a general war, is reinforcement for Korea. The two squadrons of F-4s stationed at Clark should be able to ferry to Korea in less than 24 hours.

### *Australia*

The Australian Government's concern about troop withdrawal is twofold. First, they fear withdrawal from Korea may symbolize the larger U.S. withdrawal from Asia. Second, they see Korea as "one of the principal danger points in international politics." According to their Embassy in Washington, they believe that "any step which sub-

stantially alters the status quo should be approached with great caution." They wish to be supportive of the U.S. role in Asia and thus welcome indications that the withdrawal will be carefully phased.

#### SUMMARY

Asian reactions to U.S. troop withdrawal differ depending on each country's geopolitical situation. Each country, however, tends to analyze the decision in connection with other U.S. policy initiatives in Asia. Taken together most Asian countries are concerned with the continuing U.S. commitment to Asia which they perceive as essential for peaceful evolution in the region.

Peace and security in Asia rest on a complex set of interactions: political, psychological and military. Further, the timing of withdrawals is crucial to retaining the confidence of Asian leaders. A political-military equilibrium must be maintained to avoid a precarious disruption of the present balance. The apparent lack of adequate consultations with Asian allies fed their feelings of insecurity. The appearance of a precipitous withdrawal had alarmed our allies. Only belatedly has the Administration sought to correct this problem. Confidence is now being restored through reaffirmations of the U.S. commitment to South Korea.

Many Asian states have parallel interests with the great powers in preserving the present equilibrium. The U.S. decision to withdraw and the emerging military balance must therefore be evaluated in this broader context. Any armed conflict leading to great power confrontations threatens both regional and world peace.

## II. THE U.S. DECISION AND THE SOUTH KOREAN REACTION

### THE WITHDRAWAL DECISION

The specific details of the withdrawal process are stated in Presidential Determination 12 and the subsequent ROK-U.S. Joint Communique. Troop withdrawals would take place in three stages. The first stage ends in 1978 when 6,000 men (one brigade) will be withdrawn. [Deleted.] During this phase a dozen F-4 aircraft will be added to the U.S. tactical fighter wing and a new joint U.S.-ROK command will be established to improve operational efficiency. The second stage will involve primarily support troops. [Deleted.] Timing of the third stage would depend upon political developments, but the headquarters and last two combat brigades of the 2d Division could remain in Korea until July 1982. The timing of this phase is important because it takes place after the 1980 Presidential election. As such, it allows either a reelected or a newly elected President to reevaluate the most important of the three withdrawal phases.

After July 1982 the United States would retain in South Korea the air division, a small Navy element and Army intelligence, logistics and communications personnel numbering about 12,000 in total. Most personnel would be stationed south of Seoul, but could be involved in fighting during the first days of any war.

The cost of this move is unknown but could be several billions of dollars. The withdrawal is not justified by the Administration as a budget cutting measure.

### THE U.S. DECISION PROCESS

On January 16, 1975, a month after declaring his candidacy, Jimmy Carter told the Washington Post editorial board he favored taking troops out of Korea and would begin the process as soon as he became President. According to several sources, however, it was not until after a January 28, 1975, Brookings Institution luncheon and a spring 1975 trip to Tokyo that candidate Carter's views were modified to a phased withdrawal of ground forces only.

It was not until one month after Carter firmed up his campaign position on withdrawal (May 1975), that official indications began to emerge that North Korea was undergoing a massive military buildup that could shift the military balance on the peninsula in favor of the North.

After President Carter's inauguration, a list of his campaign promises, including withdrawal from Korea, was compiled in looseleaf notebooks and kept for reference at the State Department and National Security Council as a guide to future Administration decisions. Most of the analysis of the problem during the following months was within the framework of that promise.

President Carter's campaign pledge first became U.S. policy on February 1, 1977, when Vice President Walter Mondale told a news conference in Tokyo:

With respect to Korea, I emphasized our concern to maintain a stable situation on the Korean peninsula. I cited that we will phase down our ground forces only in close consultation and cooperation with the Governments of Japan and South Korea. We will maintain our air capability in Korea and will continue to assist in upgrading Korean self-defense capabilities.

In response to a reporter's question, Mondale elaborated:

There was no timetable set; we did not go beyond a recital of that general approach by the Government of the United States.

South Korean Government officials told the staff that at this time they still did not consider the decision firm because of the pledge to stay made by the United States 1976 Security Consultative Meeting.

On March 9, President Carter took the occasion of South Korean Foreign Minister Pak Ton-chin's visit to announce the "4-to-5-year" withdrawal schedule and to again emphasize consultations with South Korea and Japan. The basic decision document, Policy Review Memorandum (PRM) 13, containing an estimate that North Korea had a definite offensive capability, was then still in its early draft stage. The President also took the March 9 opportunity to express firmly the Administration's concern about human rights violations in South Korea.

With this explicit Presidential guidance, PRM 13 was seen by many in the bureaucracy as primarily an implementation document, a question not of whether to withdraw, but simply how to reduce ground combat forces. A U.S. Embassy official in Korea, for example, told us that they were never asked whether troop withdrawal was the right policy. Rather, they were asked how it should be implemented. The PRM did contain some discussion of the problems of withdrawal, but, reportedly, they were not given prominence. The estimate that the static military balance had shifted since 1970 to favor the North was relegated to an appendix and according to some participants was discounted because it excluded U.S. forces from the balance. The PRM concluded that in 5 years:

The Republic of Korea should be able to defend itself successfully against a North Korean attack without the involvement of U.S. ground combat forces if adequate and timely U.S. air, air defense, naval and logistic support is provided.

The PRM was completed in April and presented the President with five troop withdrawal options ranging from withdrawal of all U.S. ground troops by 1979 to a token withdrawal at a later date.

[Deleted.]

On May 5, a compromise decision was chosen by the President in Presidential Decision 12. Tasking memoranda were sent to State and Defense to implement the withdrawal and military assistance plans. The Joint Chiefs of Staff agreed to support the decision, if the Mutual Defense Treaty was reaffirmed, if sufficient military assistance was provided, and if the U.S. Air Force and Navy remained in Korea after the withdrawal. Other top U.S. military officers—especially those stationed in Asia—were more reluctant to support the decision as evidenced by the comments of UN Command Chief of Staff Major General John K. Singlaub.

On May 27, President Carter announced his decision during a Washington news conference. The President stressed that U.S. troops were no longer needed because of South Korea's economic strength and self-confidence and noted the improvement in U.S. relations with the U.S.S.R. and PRC as another factor that made withdrawal possible. He reemphasized the U.S. commitment to South Korea. It was also announced that Under Secretary of State Phil Habib and Joint Chiefs of Staff Chairman General George Brown would visit Seoul and Tokyo to "explain" the policy. Individual Japanese and Koreans have since charged in private that the "consultations" promised by the President on March 9 were in fact sessions in which they were informed of the policy, but that actual consultations never transpired.

According to the South Korean officials, the closest these bilateral discussions came to actual consultations was during the July 26, 1977, Security Consultative Meeting (SCM) in Seoul between U.S. Defense Secretary Harold Brown and Korean Defense Minister Suh Jyoug Chul. Before the meeting the Administration had met unexpected opposition to the withdrawal decision from some members of the Senate. To satisfy this opposition and to meet the requirements of the Joint Chiefs of Staff, the Administration slightly modified its position at the SCM meeting. Withdrawal of the final two combat brigades was delayed until at least 1981, and additional fighter aircraft were promised for the U.S. base at Osan. The United States reiterated its defense commitment and pledged extensive military assistance.

Korean negotiators told Secretary Brown that military assistance should be based on equipment rather than money. They did not wish to repeat the confused commitments of the 1971-75 MOD plan and presented Secretary Brown with a list of requested military equipment generated by a U.S.-Korean staff study. Secretary Brown accepted the concept of discussing equipment rather than funding levels for a compensatory aid package but requested a priority list. A final aid package was generated during the next two months. After the SCM, Republic of Korea Government officials began speaking somewhat more optimistically about their future.

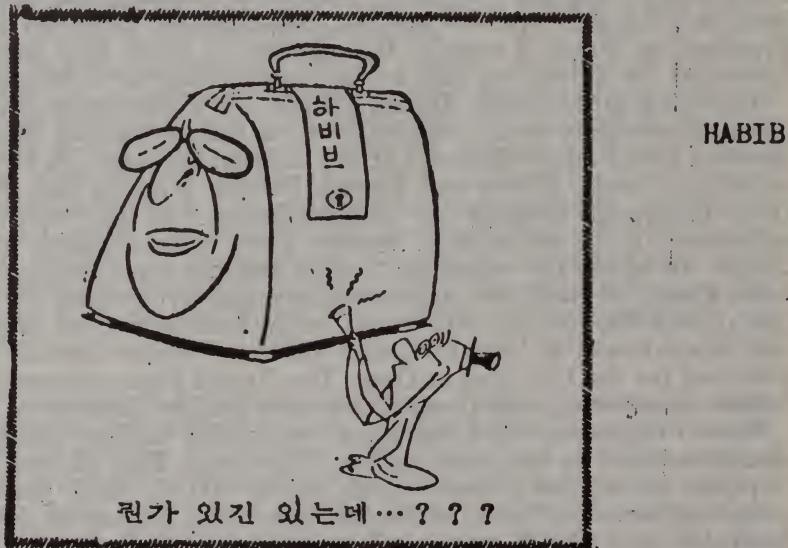
During consideration of the withdrawal alternatives, the Administration apparently rejected the idea of using possible troop withdrawals as a bargaining chip in bilateral or multilateral negotiations to reduce tensions on the peninsula. In rejecting these possibilities, the Administration may have lost an important opportunity. Similarly, apparently no high-level efforts were made to gain even tacit non-belligerence pledges from China and the Soviet Union until Secretary of State Vance's August visit to Peking. There the subject was reportedly discussed for half an hour [deleted]. The deterministic way the Administration approached the withdrawal decision in large measure precluded using the withdrawal as leverage to gain concessions.

#### THE SOUTH KOREAN REACTION

Despite earlier warnings, the initial South Korean reaction to President Carter's March 9 statement pledging withdrawal in 4 to 5 years was one of alarm. The South Korean Foreign Minister reportedly was told of the plans in Washington later that day. The ROK Defense

Minister told the staff that he read the decision in the newspaper. President Carter's decision was firm. But, the announcement was vague and offered no tangible safeguards for South Korea.

Between mid-March and July the Carter Administration slowly developed some safeguards that the South Koreans sought. The Habib/George Brown visit gave them an assurance that some compensation would be provided, but the specifics were still uncertain. The political cartoon below expresses the South Korean view on July 11:



There must be something in it, but what... ???

(By T'ae Hong: Sina Ilbo 7/11)

After the July 26 Security Consultative Meeting, the outlines of U.S. willingness to provide compensation became clearer and the concern began to subside.

During August the staff interviewed a wide-ranging group of South Koreans to gauge their reaction to the President's decision. No one, including various dissident leaders, agreed with the decision. Some accepted it as a fait accompli and focused on the compensation package, while others held out the hope that a reassessment might still change the decision.

Of all the people interviewed, those representing the ROK Government and business interests were most upbeat and optimistic. President Park had reportedly told government officials "not to beg." Aware of the concern in his country, President Park has developed a "can do" attitude in part to help boost morale. Privately, however, his national security advisors strongly oppose the decision and hold out the hope of a change in the withdrawal schedule. The businessmen interviewed all showed great confidence in the resilience of the South Korean economy and in its ability to increase domestic production of defense goods.

The greatest concern was displayed by opposition leaders of the New Democratic Party, National Assemblymen from President Park's party, university professors and dissidents. NDP Chairman Lee Chul-seung, who politically is close to President Park and presides over a diffused party, led in criticizing the withdrawal decision. Lee told the staff: "everyone in South Korea opposes withdrawal, even the shoe-shine boys . . . you do not hear Yankee go home from us; we know what Communism is." Similarly, the Speaker of the National Assembly, Chung Il Kwon (a former ROK Prime Minister and often mentioned as a future Presidential choice) told the staff: "I don't understand why President Carter is in such a hurry to withdraw ground forces . . . it is a small U.S. investment and it is of great benefit to all free Asian countries." Under his guidance the National Assembly passed a resolution (1) requesting the release of political prisoners under the Emergency Measures; (2) calling for closer U.S.-South Korean ties; and (3) opposing the "one-sided withdrawal" of U.S. ground forces. Others interviewed generally stressed the fact that South Korea's ability to defend itself did not necessarily mean that North Korea was deterred. Dissidents were well aware of the threat to their remaining freedoms and urged that U.S. ground troops remain to restrain the government.

Other comments are summarized below:

Why should the United States change a policy that has been working well for 25 years?

U.S. airpower alone will not provide deterrence. Vietnam showed the inadequacy of airpower.

South Korea has had no real explanation of the U.S. policy. It cannot be Korean economic progress alone since West Germany has a much stronger economy and U.S. troops will remain there. Thus, there must be some racial element involved.

North Korea's leaders remain aggressive and irrational. By giving them the exact withdrawal schedule they will be able to plan their attack well in advance.

It will soon become clear to the United States that withdrawal without a war is impossible. There must be a reassessment. We need 8 to 10 years to make the necessary changes.

There has been unwarranted bad press in the United States regarding Korean human rights and the bribery scandal. We hope it does not cloud the Congress' decision on military aid.

Korea is critical to northeast Asia. If the United States withdraws from Korea, it withdraws from Asia.

The following political cartoon further illustrates one artist's view of the impact of this decision on the South Korean people:



Restraint on  
south-bound  
invasion

Soviet Union

Communist China

Ah, ah and ah, is that what you call  
"compensatory measures" ...?

(By Chong Un-Kyong: Maeil Sinmun 6/8)

Early announcement of troop withdrawals without accompanying reassurances and few consultations probably helped to create the concerns expressed by most South Koreans interviewed. Even with proper consultations, it is probable that the South Koreans would have vigorously resisted withdrawal as they did in 1971 with the 7th Division withdrawal. Careful management of the situation in June and July of 1977 eased the concern, but the intense reaction might have been reduced if the decision and its early implementation had been handled more diplomatically.



### III. THE MILITARY SITUATION IN KOREA

#### THE MILITARY BALANCE

There are differing assessments of the military balance in Korea. Several factors explain these differences. First, the military statistics used vary greatly depending upon their origin and date. Second, various aspects of the balance may be emphasized: if terrain, manpower, reserve strength and defensive posture are considered most important, then the balance favors the South; if firepower and surprise are given greater weight, the balance favors the North. Third, the inclusion of U.S. ground, naval and air power obviously alters the balance.

The military balance is presented below in unclassified form.

MILITARY FORCE BALANCE COMPARISON, JANUARY 1978

	1970		1977	
	Republic of Korea	North Korea	Republic of Korea	North Korea
<b>Personnel:</b>				
Active forces	634,000	400,000	600,000	520,000
Reserve forces	1,000,000	1,200,000	2,800,000	1,800,000
Maneuver divisions	19	20	19	25
<b>Ground balance:</b>				
Tanks	900	600	*1,100	1,950
APC	300	120	*400	*750
Assault guns	0	300	0	*105
Anti-tank	[Deleted]	[Deleted]	[Deleted]	24,000
<b>Shelling capability:</b>				
Artillery/multiple rocket launchers	1,750	3,300	*2,000	*4,335
Surface to surface missiles (Battalions)	[Deleted]	[Deleted]	1	2-3
Mortars	[Deleted]	[Deleted]	[Deleted]	9,000
<b>Air balance:</b>				
Jet combat aircraft	230	555	*320	*655
Other military aircraft	*35	130	200	*320
AAA guns	850	2,000	*1,000	*5,500
SAM's (Battalions/Sites)	[Deleted]	[Deleted]	2	*38-40
Navy combat vessels	60	190	*80-90	*425-450

\*These are approximations. Actual figures may be greater.

When measured by firepower only, the balance has shifted from rough parity in 1970 to a definite advantage for the North in 1977. A comparison of total mobile assault weapons (tanks, APCs, assault guns) and shelling capability (artillery, MRLs and mortars) shows that North Korea enjoys a nearly two-to-one advantage in both categories. The North also enjoys a two-to-one advantage in combat jet aircraft, somewhat offset by qualitative inferiority and a more than four-to-one advantage in anti-aircraft guns and navy combat vessels.

In addition, North Korea has almost nullified South Korea's active duty manpower advantage and apparently plans to continue this trend since the North Korean draft age has just been lowered to age 16.

[Deleted] this firepower advantage gives North Korea a definite offensive capability. Because of South Korea's forward defense strategy, the close proximity of Seoul, and problems of maneuver in Korea's mountainous terrain, firepower is a critical factor in determining the overall military balance. It is also believed that the North will maintain a significant edge in equipment numbers and force capability during the next five years.

This disparity arose because of North Korean production increases that occurred at the expense of the civil economy. Currently North Korea produces small arms recoilless rifles, mortars, rocket launchers, artillery, AAA weapons, APCs, submarines and possibly tanks. They rely on PRC and Soviet imports of aircraft, missiles and other sophisticated equipment. Soviet aid has almost stopped since 1973, but PRC military assistance continues.

These elements alone, however, will not determine the outcome of a war in Korea. Considerations such as quality of equipment, terrain, leadership, etc. must also be considered. The chart below summarizes some of these considerations:

#### PRINCIPAL MILITARY ADVANTAGES OF NORTH AND SOUTH KOREA

<i>North Korea (generally offensive deployment)</i>	<i>South Korea (generally defensive deployment)</i>
More ground combat divisions.	Advantage of terrain and defensive positions.
Greater ground firepower.	More modern air assets.
More armor assets.	Better educated military leadership.
Superior naval forces.	Vietnam combat experience.
More air assets.	Better transportation network.
Better air defense system.	Continued U.S. deterrence.
Larger logistics production.	
Greater military production.	
Capability of surprise.	
Ability to concentrate attacking forces.	
Distance to Seoul.	
More commando-type forces.	
Proximity of major allies.	

#### ATTACK SCENARIO

In an attack upon the South, North Korea would have the advantage of choosing the time and place. It could concentrate its already great firepower advantage and attack South Korea's I Corps with [deleted] divisions giving little or no warning. South Korea has 24 company-size and 1 battalion-size strongpoints along the DMZ. Some of these positions were visited by Senator Glenn and Committee staff. However, there are many weak spots along the DMZ, and it will be difficult to stop North Korea there. Tunnels first discovered in 1974 could also be used to gain surprise behind the DMZ. The North's offensive potential as perceived in the South is indicated in the political cartoon following:



This time...

(By Paek In-Su: Tonga Ilbo 8/3)

The ample North Korean river-crossing equipment provides another option for invading South Korea.

Military analysts believe that a North Korean attack would probably use the Kaesong-Munsan-Seoul corridor with secondary attacks through the Chorwan Valley and diversionary attacks to the east. The North Korean attack would place heavy reliance upon the shock effect and firepower of its nearly 2,000 tanks. The ROK's 1,100 tanks are supplemented by about 100 U.S. operated M-60 tanks, but currently its older model M-47 and M-48 tanks are probably no match for the North's T-54/55 tanks [deleted]. Attacking North Korean tanks would have to pass through mountain valleys, giving South Korea a defensive advantage. The importance of these terrain features was evident in April 1951 when a PRC/North Korean attack was channeled and defeated by a numerically inferior force.

The results of an attack upon Seoul via these corridors would probably be determined by the ability of ROK forces to hold the heavily fortified FEBA-ALPHA line two to five miles south of the DMZ. [Deleted.] Substantial improvements are required and major efforts are underway to improve this line. If FEBA-ALPHA were breached, Seoul is just 22 to 25 miles to the south. Positions to the south of FEBA-ALPHA are less heavily fortified.

Several factors are vital for the successful defense of Seoul and the FEBA-ALPHA line. These include adequate warning time; superior firepower, mobility; good ROK Army leadership; tactical air support; and secure lines of communication to the rear. These factors,

however, cannot be taken for granted, especially without U.S. ground forces:

- Warning time is critical and may be inadequate;
- North Korea has superior firepower marshalled near the DMZ;
- South Korean forces alone lack adequate mobility;
- Poor visibility or a first strike could temporarily limit critical U.S. and ROK tactical air support; and
- North Korean naval superiority at the outset would allow amphibious landings of guerrilla forces to disrupt ROK communications.

#### WARNING TIME

Warning time is the single most critical factor in the military equation. [Deleted.]

Warning of a pending attack can be either strategic or tactical. Strategic warning is based on broad political and military indicators while tactical warning is provided by precise evidence that an actual attack is imminent. [Deleted.]

North Korea is a totally closed society thus reducing the possibility of tactical warning. [Deleted.] In addition, since North Korean forces are currently in position to attack the South, strategic warning due to large troop movements may not be forthcoming.

[Deleted.]

[Deleted.]

The impact of U.S. troop withdrawal on U.S.-ROK ability to detect a potential surprise attack is unclear. [Deleted.] The problem of warning time is so critical that whether a withdrawal proceeds safely may be subject to an adequate resolution of this problem.

#### THE AIR BALANCE

The air balance continues to favor the North because of quantitative advantages in fighters and fighter bombers.

Older models:

	Number
North Korea :	
Mig-15/17	328
Mig-19	110
South Korea :	
F-86F	100
F-5A/B	70

Newer models:

	Number
North Korea :	
Mig-21	121
SU-7	22
South Korea :	
F-5E	72
F-4D/E	45

Although pilots on both sides are well trained, ROK pilots may have an advantage in experience.

The size of the North Korean air force would allow Pyongyang to send over 500 aircraft south in an attempt at a preemptive strike. The North would be defended during this period by 6,000 AAA guns, SAMs and fighters held in reserve. An attack would be launched pri-

marily from bases north of Pyongyang, but some aircraft could be launched directly from [deleted] sites near the DMZ. Additional landing strips are being built near the DMZ. The combat radius of the MIG 19/21s would allow them to range over the northern part of the Republic of Korea where U.S. and ROK house their aircraft. [Deleted.] Most North Korean flights are carefully monitored but, the Egyptian air attack on Israel in 1973 indicates that surprise can be achieved if an attack is launched from what appears to be a routine exercise. [Deleted.]

[Deleted.]

Significantly, however, the presence of three squadrons of U.S. F-4 aircraft and a rapid reinforcement capability shifts the air balance in Korea to favor the South. The U.S. fighters provide both interceptor and ground support capability. If fully committed, they could achieve air superiority over the ground battle within the first days of battle. North Korea is aware of this capability and would attempt to reduce the immediate effectiveness of U.S. air power by attacking U.S. airfields. [Deleted.]

#### NAVAL BALANCE

The naval balance, minus the early involvement of the U.S. 7th Fleet, favors North Korea. The North's greatest naval assets are its many torpedo and patrol boats and its submarine fleet. The North's advantage gives it the capability to mine ROK harbors, land small guerrilla warfare teams, interdict airfield operations and interrupt resupply operations. The North Korean advantage, however, would soon be reversed once the U.S. 7th Fleet is committed.

#### SUMMARY OF THE BALANCE

In summary, North Korean military capabilities currently give it significant advantages in the critical first days of fighting, if the North can achieve tactical and strategic surprise. These North Korean advantages are at least partly offset by the presence of the U.S. 2nd Infantry Division and its supporting forces. If the war continued, the balance should shift to the South as it mobilized its reserve forces and as U.S. assistance began to arrive on the peninsula.

#### NORTH KOREA'S MILITARY POSTURE

The recent military buildup in North Korea has again raised questions regarding North Korea's intentions. Publicly, North Korea continues to demand reunification of the peninsula on its own terms—after all U.S. forces are withdrawn and President Park is removed from office.

Militarily the U.S. command states that the North is in an offensive posture. They cite the following evidence:

- North Korea's decision to produce and import massive numbers of offensive weapons such as tanks, APCs and mobile artillery. [Deleted.]

- North Korea is thought to store enough supplies to sustain an attack on the South for from 30 to 90 days without resupply from

the U.S.S.R. or China, depending on the duration and intensity of the war.

- North Korean divisions along the DMZ are in an attack posture [deleted], which allows them to attack without additional preparations. Almost all of its [deleted] divisions are located within 100 miles of the DMZ.

- North Korea makes major efforts to keep their tactical communications impenetrable.

- [Deleted.]

- [Deleted] forward hardened airfields have been built [deleted].

- [Deleted] large [deleted] bunkers have been built well forward along the DMZ to house long-range artillery capable of hitting ROK radar and defensive positions.

- Division-level exercises may have resumed after several years' hiatus.

- Two North Korean tunnels have been discovered and could be traversed by 3,000 to 5,000 troops per hour. Senator Glenn toured this tunnel and concurs in this assessment. South Korean and some American military officials believe that more tunnels exist under the DMZ. Detection of additional tunnels is difficult because North Korea no longer uses explosives to clear the passages.

- [Deleted.]

- [Deleted.]

- North Korea now has significant amounts of river-crossing equipment.

Other analysts disagree. Some believe that North Korea's military posture is designed to be used as a bargaining chip in future force reduction negotiations. Still others interpret the 1969 decision to build up the North Korean military as a defense response to U.S. bombing over North Vietnam. Similarly, Kim Il Sung's bellicose statements prior to his 1975 meetings in Peking are interpreted as a warning to the United States not to attack North Korea in frustration over the fall of Vietnam. These analysts recall that North Korea too was invaded by the United States in 1950. They note the major effort to build all complexes underground and argue hardened sites are usually defensive in nature. They also note that the North Korean air force has limited offensive capability, and its bases are dispersed primarily in the northern part of the country.

The intentions of North Korea cannot be predicted with certainty. It is possible that their prime motivation could be defensive. But their deployment posture in what military analysts would term as "attack positioning" and their firepower superiority gives them an offensive capability that cannot be ignored. They have the military option to attempt a sudden thrust toward Seoul, should the political circumstance be favorable. They have stated on the record that they contemplate this option. On April 18, 1975, Vim Il Sung stated in Peking: "If revolution takes place in South Korea, we as one and the same nation, will not just look at it with folded arms, but will strongly support the South Korean people. If the enemy ignites war recklessly we shall resolutely answer it with war and completely destroy the oppressors. In this war we will only lose the military demarcation line

and will gain the country's reunification." The current North Korean offensive posture is the single most destabilizing factor on the Korean peninsula today.

#### SOUTHERN KOREA'S MILITARY POSTURE AND NUCLEAR OPTION

The ROK military posture is considered defensive. Unlike the North, any ROK mobilization for an attack would be easily detected. With inferior firepower and inferior air power, the ROK forces would have a difficult task in trying to attack the well-defended and fortified positions of North Korea. Moreover, given the economic gains made in the South, President Park told Senator Glenn, "it would be foolish to contemplate the South attacking and endangering their successes since 1954."

However, since 1971, the ROK has attempted to redress the emerging military imbalance, first with the 1971-1975 Force Modernization Plan (MOD) and then with the 1976-1980 Force Improvement Plan (FIP). The MOD plan ran 2 years behind schedule, and the FIP is currently also far behind schedule (see Chapter V).

Successful completion of the FIP would still leave South Korea with a firepower imbalance. This added to the withdrawal of the 2nd Division [deleted] from Korea could lead to substantial insecurity in the South. This potential insecurity has already resulted in renewed calls from many circles for development of a Korean nuclear weapon. For example, Foreign Minister Pak Tong-Chin told the National Assembly on June 30 that although the Republic of Korea was a party to the Nonproliferation Treaty, it would make an "independent judgment" if the country's survival was at stake. In addition, the leader of the opposition New Democratic Party, Lee Chul-seung, told the staff that if the continuing atmosphere prevails, his party "may not find any justifiable objection to demands by some ruling party assemblamen that South Korea build its own atomic weapon."

South Korea has the capability to develop a nuclear weapon. It has one nuclear reactor in operation, a second under construction, and four more on the drawing boards. It also has two of its own low-grade uranium ore beds. More significantly, however, it does not have a reprocessing plant for spent uranium or the capability to enrich its domestically mined uranium within the next five years. Given their current technology, experts believe the South Koreans could produce a bomb "in a few years" if they could find an external source of plutonium or enriched uranium.

South Korean officials are aware of the dangers involved in choosing the nuclear option. It could totally alienate the United States, disrupt regional stability and invite a possible North Korean pre-emptive strike. Yet, there have been reports that attempts may have been made in the past by the ROK to develop both a weapon and a delivery system. [Deleted.]



#### IV. THE ROLE OF U.S. FORCES IN KOREA

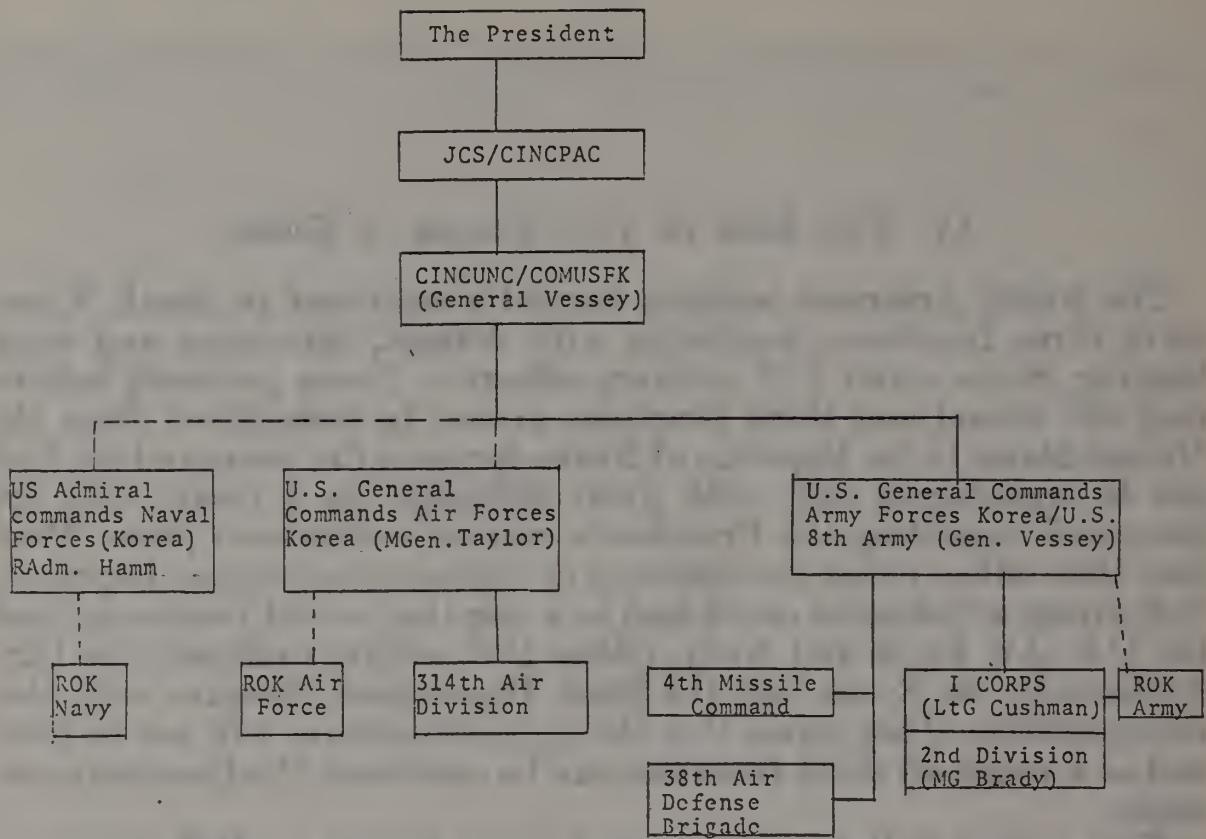
The 40,000 American soldiers currently stationed in South Korea serve three functions: assistance with defense, deterrence and truce keeping. Some senior U.S. military officers in Korea privately believe that the second and third functions cannot be transferred from the United States to the Republic of Korea forces in five years and the first can be transferred only with great difficulty. As a result, they are concerned regarding the President's current withdrawal plans. They fear that unless either the military or diplomatic situation improves, U.S. troop withdrawal could lead to a war that would involve at least the U.S. Air Force and Navy. Other U.S. military officials, the U.S. Ambassador to Korea and the State Department disagree with this interpretation. They stress that the U.S. withdrawal will not be total and as a result all three functions can be continued if adjustments are made.

This section will provide a brief status report on U.S. troops in Korea and analyze the withdrawal decision in light of their defense, deterrent and truce-keeping functions.

##### STATUS OF U.S. TROOPS IN KOREA

Combined ROK and American military forces in Korea today total 640,000 men, all under operational control of the United Nations Command. The complex maze of command structure may be simplified by the following chart:

(35)



— direct command

-- operational control

Under this unique system established by the 1950 U.N. Security Council Resolution and the 1953 Armistice Agreement, the President of the United States through his military chain of command has direct operational control over the entire ROK military forces, except the Capital Guard.

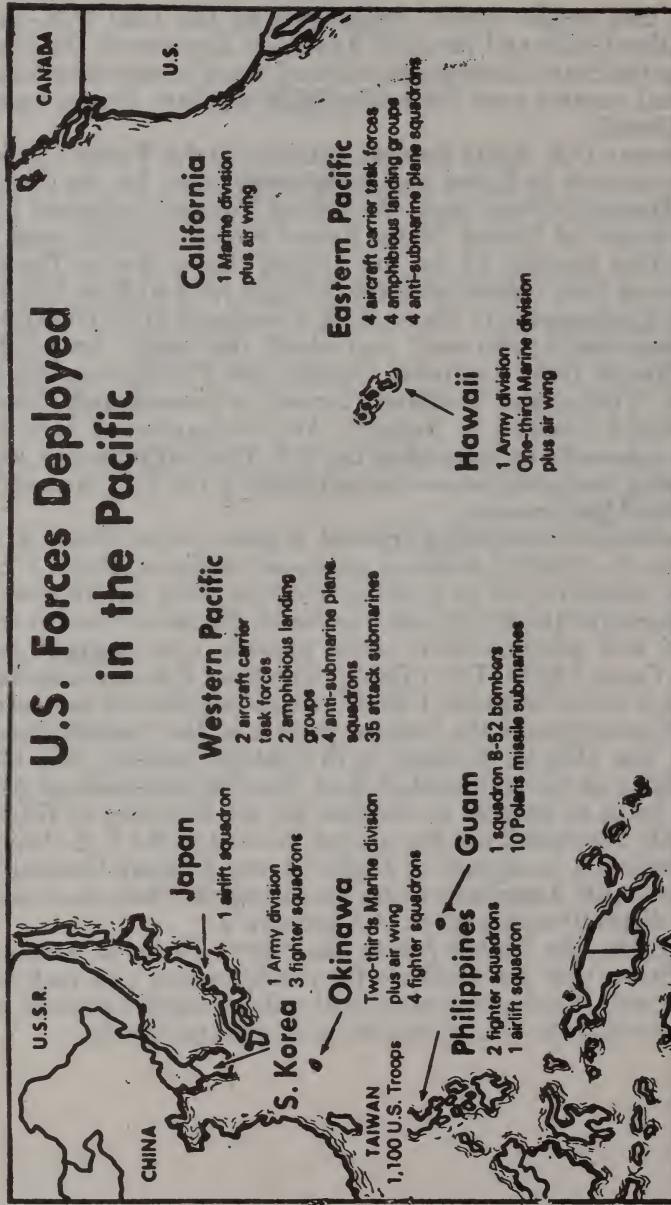
A four-star U.S. Army general, currently John Vessey, holds three major commands in Korea and is the focal point for the President's control. General Vessey leads the United Nations Command (UNC), is Commander of United States Forces Korea (USFK) and is also Commanding General of the 8th United States Army. These three headquarters were consolidated into a single joint staff on July 1, 1974.

As the Commander in Chief, U.N. Command (CINCUNC), General Vessey has operational control of the ROK Armed Forces, liaison groups from Australia, Canada, the Philippines, the United Kingdom, Turkey and Thailand (located in Korea), and France and New Zealand (located in Japan). As Commander of U.S. Forces, Korea, a sub-unified command of the U.S. Pacific Command, he establishes policy and coordinates the activities of the U.S. Armed Forces in matters of joint concern.

In his role of Commanding General, Eighth United States Army, he commands the 33,000 U.S. Army personnel in Korea. Major U.S. combat units consist of the 2d Infantry Division, 38th Air Defense Artillery Brigade and the 4th Missile Command. Numerous combat support, logistical and administrative units provide vital support to these forces. I Corps (ROK/U.S.) Group with the 1 U.S. division, 10 ROK divisions, 2 armor brigades, 1 ROK marine brigade and necessary supporting forces, guards the western portion of the Demilitarized Zone (DMZ). The U.S. 2d Division is in strategic reserve; it is the only U.S. division on the mainland of Asia. The 38th Air Defense Artillery Brigade helps to provide air defense for the Republic of Korea. The 4th Missile Command, the last unit of its kind in the U.S. Army, provides missile fire in support of Eighth Army. In total, General Vessey has about 40,400 Americans under his command. Their exact units and physical dispositions are given in Appendix V.

In addition, the United States has reserve forces in Asia and the United States that are available for reinforcement (see map on page 38). Currently contingency plans still call for massive ground, sea and air reinforcement in time of war on the Korean peninsula.

## U.S. Forces Deployed in the Pacific



This reinforcement capability is often exercised, most recently during an exercise called Team Spirit. [Deleted.]

#### ASSISTANCE WITH THE DEFENSE OF KOREA

In 1974 Generals Hollingsworth and Stillwell developed a forward defense concept designed to defeat the enemy before it reaches Seoul. To implement this, additional Korean troops were moved north of Seoul and work was begun on a series of reinforced defense lines. Prior to 1974 defense plans envisioned the temporary occupation of Seoul until ROK forces regrouped and counterattacked. The changes reflect Seoul's vital importance as the economic and population center of the country.

The development of this forward defense strategy has several important consequences. It has accentuated the need for strong, indepth reinforced defensive positions, massive firepower, mobility, excellent communications, tactical air support, better air defense and substantial warning time before an attack. It has also made any temporary occupation of Seoul more unacceptable, both psychologically and in terms of the ability of ROK forces to regroup. The net result is that in military terms U.S. forces play a relatively larger role now than they did before 1974 in the defense of Seoul, thus making ground troop withdrawal more difficult.

U.S. forces currently provide many of the ingredients needed to make the forward defense concept viable. These include:

- Intelligence gathering and analysis to maximize the probability of early warning;
- Commanders experienced in high intensity, modern combat;
- A highly mobile reserve armor and anti-armor capacity to partially offset ROK ground firepower disadvantages and reinforce ROK defense lines;
- Air power capable of gaining air superiority and providing vital tactical air support;
- Experienced forward air controllers that can direct air strikes without communications problems;
- Effective communications and logistics operations; and
- The ability to quickly call in reserve ground, naval and air forces from outside South Korea should they be needed on any emergency basis.

As a result, the U.S. Commander of I Corps, Lt. Gen. John Cushman told the Committee on Foreign Relations staff:

[“deleted] Removal of the 2d Division requires major ROK improvements.”

[Deleted.]

Many of the required improvements are currently underway and will be discussed at length in Chapter V. If properly implemented during the next 4 to 5 years, these improvements would allow the ROK to assume most of the military functions of the U.S. 2d Division. In August 1975 President Park told Richard Halloran of the New York Times that in 5 years' time (1980) with U.S. military assistance, South Korea alone could handle the North Korean threat, if the United States could deter the PRC and U.S.S.R. Others interviewed in

Korea are less sanguine about the ROK ability to make the required changes in 4 to 5 years.

#### DETERRENCE

The presence of U.S. troops in South Korea together with the Mutual Defense Treaty serves two deterrent functions. First, the stationing of U.S. ground combat troops in the DMZ and in the nexus of the major invasion corridors means that a North Korean attack would almost certainly involve U.S. forces. In addition, the 2d Division, though still in a reserve posture, would with little doubt be involved in fighting within 48 hours—certainly before a decision to withdraw the force could be implemented. The result has been called a “trip-wire.” Any President faced with such an attack on U.S. forces would have little choice but to commit additional U.S. forces to that part of the world. The second deterrent is nuclear. [Deleted.]

The President's withdrawal decision reduces the deterrent effect [deleted]. After 1982, no permanently stationed U.S. ground forces stand between the DMZ and Seoul. [Deleted.]

The Administration is conscious of this reduction in deterrence and has attempted to put together an alternative deterrence structure. This structure consists of (1) continual reaffirmation of the 1954 Mutual Defense Treaty; (2) statements stressing continuation of the U.S. “nuclear umbrella”; (3) emphasis on the deterrent nature of the remaining U.S. air wing; (4) statements pledging expanded joint military exercises with the ROK and stressing U.S. reinforcement capability; and (5) pledges to boost ROK military capabilities and thus provide deterrence through a strong ROK defense.

The effectiveness of this alternative deterrence structure will probably depend upon: the ability of the U.S. to supply adequate military assistance to South Korea without creating too strong a ROK military, the confidence of Koreans in the continuing U.S. commitment, and the importance placed by North Koreans on the air and naval support which the United States would supply in case of war.

All three of these factors are in question. U.S. military assistance (see Chapter V) will require Congressional approval and has already been met with critical reactions. Korean confidence in the U.S. commitment is low, despite continued reassurance from the Administration. Kim Dong Cho and Kim Dyang Won, President Park's top national security advisors in the Blue House (the ROK White House) told Committee on Foreign Relations staff:

We are in the post-Vietnam era and now verbal commitments cannot do what physical presence does . . . the purpose of troop withdrawal from South Korea must be seen by North Korea as a U.S. option not to become involved in another Asian ground war.

This concern was reinforced by newspaper articles on PRM 10, which stated that removing U.S. troops from South Korea gives Washington “flexibility” to determine whether or not to intervene against a Communist invasion from the North. Finally, the Vietnam experience has emphasized the limitations of both tactical and strategic bombing. For example, Choi Yong Hui (Chairman of the Foreign Affairs Committee of the National Assembly) told the staff “in Korea the foot soldier is what counts . . . Vietnam showed us the impotence of air power.”

In the final analysis, deterrence is psychological and depends upon perceptions by the North Korean leadership, specifically upon Kim Il Sung. Kim has been described by U.S. officials as "shrewd, unpredictable, calculating, ruthless and stubborn." His personality and the withdrawal decision has given rise to a theory [deleted] that even a rational North Korean leader might risk an invasion if the rewards are great and the opportunity is right. The theory asserts that after 1981 the United States would honor its commitment by providing only air and naval support. There may be a short period after 1981 when U.S. ground troops are gone and the North may still have a fire-power advantage. If surprise can be achieved and U.S. air power is limited by weather or a first strike, then an attack on Seoul might be successful. If Seoul could be taken quickly, then military support from the U.S.S.R. or PRC is unnecessary. Pyongyang would then appeal for a ceasefire and a negotiated solution.

U.S. Embassy officers in Korea discount this theory stating that the possible consequences for North Korea of a miscalculation would be so devastating that deterrence is maintained. They point to Kim Il Sung's apparent unhappiness about the withdrawal rate and assert that he sees no military opportunities.

On balance, one can conclude that the U.S. troop withdrawal will reduce deterrence and to some degree increase the risk of war. If war should break out, U.S. Naval and Air Force personnel would soon become involved, presenting the President with a possible dilemma. If the North makes progress during the first days of fighting, as many expect, U.S. troops would either have to be withdrawn completely for their own protection or reinforced by additional U.S. forces. Either decision could meet with stiff opposition from the American public.

#### THE ARMISTICE AND U.N. COMMAND ROLE

The CINCUNC, General Vessey, believes that the UN arrangement is critical in maintaining the truce. He issues truce-keeping orders with his CINCUNC hat and polices those orders with U.S. troops. In this way, ROK forces are able to say "we wanted to react but the United States held us back."

There are three recent examples of how U.S. operational control of all military forces in South Korea enabled the United States to orchestrate a reaction that was firm but not provocative. During the August 18, 1976, tree-cutting incident [deleted] the reaction was delayed until reserve forces could be mobilized. Then the response was restrained and the tree was cut down. Similarly, in connection with the July 1977 North Korean attack on the U.S. helicopter over the DMZ and the August 1977 North Korean declaration of a 50-mile military sea zone, coordinated U.S.-South Korean responses were developed. [Deleted.]

Removal of U.S. ground combat forces before a new arrangement supersedes the 1953 Armistice would, however, create a situation in which the U.S. Commander as the CINCUNC could order truce-keeping measures but would not have forces available to police those orders. The animosity between the two Koreas is deeply engrained and highly emotional. Without U.S. troops in Korea there would be less

restraints on South Korean reactions to new incidents thus increasing the possibility of an escalation in the conflict.

Alternative arrangements, however, are possible. A new combined U.S.-ROK Command is already being organized and at least for the next four to five years a U.S. commander will retain these important functions. The South Koreans are also reportedly not eager to see the U.S. give up operational command and control. Once all U.S. ground forces are withdrawn, however, the rationale for this arrangement diminishes. If the current political-military situation still exists in 1981, a third generation solution must be found which gives ROK commanders greater autonomy yet retains the built-in restraint of the current arrangements.

## V. U.S. MILITARY AND ECONOMIC ASSISTANCE TO SOUTH KOREA

### SOUTH KOREAN REQUIREMENTS

South Korea's military deficiency, relative to North Korea, has been tolerable because of the deterrence provided by U.S. troops on its soil. Now South Korea is faced with the need to make rapid military improvements while maintaining economic growth. The U.S. I Corps Commander believes the ROK needs: greater quantities of anti-armor weapons, tanks, artillery, and hardened communications, command and control facilities.

One senior U.S. observer in Korea said the probability of fulfilling these requirements by 1981 is 50 percent. Other improvements needed include better forward defense positions, early minefield emplacement, improved road nets, improved logistics capability, better intelligence capability, better air/land battle coordination and enhanced battlefield flexibility in the ROK general staff.

Taking these requirements into account, Secretary of Defense Harold Brown, during the July 25-26 Security Council Meeting agreed:

To transfer at no cost to the Republic of Korea certain equipment now in the inventory of U.S. forces in Korea;

To provide supplementary foreign military sales credits to help the Republic of Korea improve its defense force capabilities;

To continue support for general Korean force improvement.

Secretary Brown further stated that the U.S. Government will "make available appropriate weapons on a priority basis" to enable the Republic of Korea to deter North Korean aggression and make special efforts to support the ROK's defense industry projects. The Secretary emphasized that these efforts would be made "within the context of the U.S. Government's arms transfer policy." He also said the U.S. will continue and expand joint military exercises with ROK forces to maintain the readiness of joint forces to resist renewed aggression against the Republic of Korea.

These force improvements will be costly. They include the Force Improvement Plan (FIP), the 8th Army transfer or compensation package, and possibly a transfer of War Reserve Stocks. Current estimates from fiscal year 1977 through fiscal year 1981 are:

[In billions of dollars]

	Total FX costs (estimate)	Possible U.S. contribution
Force improvement plan (FIP)-----	3.5	1.4
8th Army turnover package-----	1.8	1.8
ROK-financed compensation-----	1.9	
War reserve stocks-----	(1)	(1)
<b>Total-----</b>	<b>5.2+</b>	<b>2.2+</b>

<sup>1</sup> (FMS)—Includes \$550,000,000 authorized in fiscal year 1977 and 1978.

<sup>2</sup> Grant.

<sup>3</sup> Estimate.

<sup>4</sup> Unknown.

A U.S. interagency working group calculated that more than \$8 billion in foreign exchange could be required to satisfy South Korea's military needs until 1985.

The FIP foreign exchange costs are currently estimated at about \$3.5 billion. The United States FMS credit contribution to the FIP would be \$1.4 billion in fiscal years 1977-81. The U.S. fiscal year 1978 compensatory aid package of 8th Army equipment is valued at \$800 million. This, however, accounts for only about half the value of the equipment currently with the 8th Army. The additional \$900 million will either not be replaced, or will be replaced by the ROK. Therefore, the United States will be asked to provide more than \$1.9 billion in additional military aid in fiscal years 1978-81. Military aid for fiscal year 1978 would be \$1.075 billion or almost equal to the aid provided over the previous 5 years:

U.S. MILITARY ASSISTANCE TO SOUTH KOREA

[In millions of dollars; fiscal years]

Item	1971	1972	1973	1974	1975	1976	1977 <sup>1</sup>	1978	1979	1980	1981
Grants-----	541.2	515.2	338.8	100.6	82.6	59.4	5.5	800	0	0	0
Loans-----	15.0	17.0	24.2	56.7	59.0	126.0	286.5	275	275	275	275
Total-----	556.2	532.2	363.0	157.3	141.6	185.4	292.0	1,075	275	275	275

<sup>1</sup> Includes transition quarter.

THE 1971-75 MODERNIZATION PLAN (MOD)

In 1971 the United States and South Korea agreed to a 5-year, \$1.5 billion Force Modernization Plan. The MOD plan helped to compensate for the withdrawal of the U.S. 7th Division. Almost all of that equipment has been delivered (see appendix VI) and is included in the military balance calculations cited earlier.

The MOD plan was delayed 2 years and the final U.S. contribution came only in 1977. The payment schedule, as provided to the staff by the ROK, is:

MOD PLAN

Terms	1971-75	1976-77	Total
Grant-----	918	70	988
FMS-----	116	412	528
Total-----	1,034	482	1,516
Progress (percent)-----	69	31	100

The South Koreans were not satisfied with the terms of the MOD plan, believing they were promised the entire \$1.5 billion in grant aid and then overcharged for the equipment purchased.

THE FORCE IMPROVEMENT PLAN

The United States has indicated general support for a new ROK 5-year (1976-80) Force Improvement Plan (FIP). The plan continues to evolve and cost estimates vary from \$4.5 to \$6.2 billion. The most recent version of the plan available to the Committee indicates an

estimated 5-year cost of \$5.5 billion and foreign exchange costs of \$3.5 billion:

Category	FIP (1976-80)	Total cost (millions)
Army:		
Air defense equipment		
Armor/antiarmor		
Air mobility		
Small arms/equipment improvement (Army)		
Artillery		
Communications (Army)		
Surveillance equipment		
Reserve projects (Army)		
Navy:		
Vessels		
Missiles and munitions		
ASW aircraft		
Communications (Navy)		
Base improvements		
Equipment improvement (Navy)		
Reserve projects (Navy)		[Deleted]
Air Force:		
Aircraft		
Early warning radar		
Other radar		
War reserve material and electronics		
Communications and electronics		
Air Force base/tactical construction		
Other Air Force		
Reserve projects		
General:		
Equipment replacement, etc.		
Total		

The United States has already authorized \$550 million in FMS credits to be used for the plan and an additional \$800-900 million will be requested in fiscal years 1979-81. However, long delays in implementation raise questions about the ability of South Korea to meet its 1980 goal.

#### THE COMPENSATORY AID PACKAGE

To compensate for the military force imbalance that would exist upon U.S. withdrawal, the Administration has proposed legislation authorizing the President to turn over to the ROK equipment currently being used by the 2d Division. The equipment would be transferred on a phased basis as U.S. troops withdraw. According to the Executive Branch, the estimated transfer value of the compensatory package is \$800 million (1981 dollars), calculated by projecting the replacement cost and subtracting depreciation. The pending legislation, however, does not mention a specific dollar value, and would allow the President to substitute equipment for equipment currently in the 2d Division inventory.<sup>1</sup>

<sup>1</sup> Under this provision, the Executive Branch plans the following substitutions:

NOW IN 8TH ARMY	SUBSTITUTE EQUIPMENT FOR ROK
[Deleted] M-60 tanks	[Deleted] M-48A5 tanks
[Deleted] air transportable 105" howitzers	[Deleted] howitzers
2d generation conventional ammo.	1st generation ammo.
Sophisticated communications gear	Less sophisticated gear

The equipment proposed for transfer is listed below. It is less than the original ROK request. For example, their request for M-60 tanks, two Lance Battalions and Stinger SAM's was rejected. In the case of the M-60 tanks, M-48A5s were substituted in greater number.

<i>Item</i>	<i>Major equipment items for cost-free transfer</i>	<i>Quantity</i>
AH-1G COBRA		
CH-47C helicopter		
UH-1H helicopter		
Improved Hawk battalion equipment		
Tow companies equipment		
Medium tank, M48A5		
Tank recovery vehicle, M-88		
Engineer construction battalion (Heavy) equipment		
Armored vehicle launched bridge (AVLB)/launcher		
Light recovery vehicle, M-578		
Armored personnel carriers, tracked, M-113		
Mortar carrier, 81mm, self-propelled		
Mortar carrier, 107mm, self-propelled		
Cargo carrier, M-548		
Carrier command post, M-577		
Tactical support vehicles		
Howitzer, medium towed, 155-mm		
Howitzer, heavy, towed, 8-in		
Howitzer, heavy, self-propelled, 8-In		
Vulcan guns		
Air traffic control battalion equipment		
Ground reconnaissance and surveillance radars		
Radio equipment		
Target acquisition battery equipment		
Light tactical raft set		
Watercraft		
Division ammunition		
Other articles and support equipment		

This equipment would provide South Korea with additional mobility (helicopters, APCs and self-propelled mortar carriers); fire power new M-48A5 tanks and conversion of existing older M-48s, TOW launchers, Cobra's, howitzers); and antiaircraft weapons I-Hawk Battalions, Vulcan Guns). Thus, the transfer package will allow the ROK Army to assume a greater share of its own defense. It will not, however, provide South Korea with sufficient offensive assets to successfully attack North Korea. The chart below compares the weapons to be acquired by 1982 with the current military imbalance on the peninsula:

Equipment to be added to the ROK inventory by 1982				
	FIP (DIA estimate)	2d division comparable package	1982 total additions <sup>1</sup>	Current gap faced by South Korea
	(1)	(2)	(3)	(4)
Tanks				
APC's				
Artillery/MRL's				
Jet combat aircraft				
AA guns				
SAM launchers				
Naval combatants				

} [Deleted.]

<sup>1</sup> Does not consider sale of F-16's.

Note, Col. 1 divided by col. 2 equals col. 3.

[Deleted.] Even if North Korea acquires only enough equipment to modernize its current inventory, they will still have a numerical advantage over South Korea in all key categories except APCs and SAM launchers by 1982. U.S. analysts, however, do not expect North Korean armament to level off. Rather, they anticipate continued build-up in all major categories except fighter aircraft and antiaircraft guns.

This analysis considers only the quantitative aspects of the 1982 balance. Under the compensation package, South Korea would receive some moderately sophisticated equipment (such as the M-48A5 tank, more Tow's, and Improved Hawk's) but nothing that would lead to a qualitative imbalance with the current North Korean inventory. Considering the numerical superiority of the North, there is no justification for the North to begin an arms race because of the compensatory package.

The State Department is currently reviewing a request for 60 F-16 aircraft worth \$1.2 billion. This proposed sales agreement (see Chapter VI) would introduce new sophisticated weapons into the area for the first time and might prompt North Korean requests for equivalent Soviet aircraft. As such, it would probably be inconsistent with the President's arms transfer policy. The arms control implications of this sale of military equipment must be evaluated in light of the military balance on the peninsula.

The Executive Branch has proposed providing the transfer package on a grant basis because the equipment is old, Korea has substantial long-term debts, and it might be easier to secure Congressional passage because no appropriations are required. Yet South Korea's current economic status may not warrant a grant transfer. The traditional grant military assistance program was ended in 1976, because of Korea's economic progress. Although Korea does have foreign exchange reserves of about \$3.7 billion, a cash payment of \$800 million would be difficult to absorb. But Korean economic planners project continued improvement in their already healthy debt-service ratio, so additional loans to pay for the compensatory package might not be unrealistic. Further, eventually new equipment must be purchased by the U.S. for a reconstituted 2d Division.

#### WAR RESERVE STOCKPILES

The strategy of forward defense requires intense firepower in the early days of fighting and thus an abundant supply of ammunition. Including fiscal year 1978 Congressional authorization, U.S./ROK forces have about [deleted] days of ammunition on hand. The Defense Department's goal is a [deleted] day supply by 1980, and eventually a [deleted] day supply (including reserves in Japan). The [deleted] day goal appears to be unrealistically high given the fact that South Korea can probably be resupplied by sea in less than [deleted] days.

There are now three separate categories of War Reserve ammunition: ROK owned, U.S. owned earmarked for U.S. forces, and U.S. owned earmarked for ROK use. But, if war breaks out, the ammunition would be used interchangeably.

Policy makers face three questions regarding War Reserve Stocks. First, who should pay for the additional stocks needed to reach the desired supply level? Second, what is to be the future of the U.S.-owned but ROK-earmarked ammunition called WRSA (War Reserve Stocks, Allies)? Third, overage artillery stocks need checking, testing by random firing to determine whether these shells will detonate when fired and a corrective program. None of these issues have been adequately addressed by the Executive Branch.

The cost for increasing ammunition stockages to the desired [deleted]-day level is more than [deleted] billion. The Executive Branch might consider having the Koreans fund a larger portion of these costs directly in the future.

The future of WRSA stocks presents a more difficult question. U.S.-owned ammunition is sent to Korea in large quantities under limitations contained in Section 514 of the Foreign Assistance Act. Although estimates vary greatly, one source states that the value of WRSA stocks in Korea total \$692 million. In fiscal year 1978 the Congress authorized an additional \$270 million after being told the transfer represented only a "bookkeeping" charge from one U.S. account to another and that Congressional appropriations would be required prior to a final concessional transfer to Korea. As a result of this authorization, additional ammunition will be prepositioned in Korea. In reality, however, there is little difference between U.S.-owned WRSA and Korean-owned stockpiles. U.S. military personnel controlling the stockpiles north of Seoul told the staff they would provide the ROKs with WRSA ammunition in time of war regardless of its legal status. The U.S. Commanding General did not disagree with these intentions. Further, Defense Department lawyers have ruled that Sections 21, 22 and 36 of the Arms Export Control Act give the President authority to "sell" WRSA stocks to Korea immediately on an emergency delayed-payment basis in time of war. A grant turnover package would then immediately be sent to Congress, as was the case with Israel in 1973. More significantly, once the WRSA ammunition is in Korea, it is politically impossible for the U.S. to remove it. The WRSA operation then represents a type of short-term back-door financing which in the longer run must be settled, probably by sale to Korea.

The third issue, overage ammunition was discussed by senior U.S. commanders with Senator Glenn. Corrective measures will require U.S. technical assistance and enhanced ordinance capabilities by South Korean industry.

#### PUBLIC LAW 480 FOOD AID AND THE DEFENSE BUDGET

Under the Kennedy Agreement of October 1971, the U.S. agreed to ship Public Law 480 Title I food commodities to Korea as quid pro quo for reduced textile imports into the United States. It was anticipated that the commitment would terminate in 1977. The total amount of Public Law 480 commodities however, has not been shipped. The 1971 Agreement called for \$275 million in commodities and reduced local currency payments plus the "normal" Public Law 480 assistance for 5 years. Taken together, the aid package was worth \$776 million on very concessional terms—low interest, ten-year grace period, 40 years

to repay. Despite the fact that top ROK officials expect the agreement to end in 1978, the State Department calculates that the United States still owes Korea \$100 million worth of commodities. The Korean Minister of Economic Planning, Nam Tok-u, said that continuation of Public Law 480 aid was important at this time. The local currency profits of the commodity sales are Korean Government revenue which in turn are used to offset increasing domestic defense costs. He said without the Public Law 480 local currency revenues, the ROK would have to curtail economic development or increase taxes because defense costs could not be reduced.

However, the economic case for continued Public Law 480 aid outside of the Kennedy Agreements is weak. South Korea currently has a \$500 million trade surplus with the United States and is virtually self-sufficient in rice. Its per capita GNP is high for countries receiving food aid. The justification for a high concessional element in the Public Law 480 aid is certainly not as persuasive as in 1971.

#### OTHER ECONOMIC ASSISTANCE TO SOUTH KOREA

Because of economic progress, the United States no longer has a bilateral development assistance program for South Korea. Indirect assistance continues through Export-Import Bank loans, OPIC insurance and guarantees, housing insurance guarantees and short-term commodity corporation credits. In addition, U.S. contributions to the International Financial Institutions indirectly aid Korea through multilateral development and balance of payments financing loans. The chart below summarize these loans:

	1970	1971	1972	1973	1974	1975	1976
<b>Indirect U.S. assistance:</b>							
EXIM	117.7	217.1	20.7	155.8	262.8	502.5	215.2
OPIC	NA	122.9	8.6	22.9	11.2	20.5	74.1
HIG				10.0	20.0	35.0	25.0
CCC	30.0	2.2	65.0	109.2	50.0	125.0	220.0
<b>Multilateral assistance:</b>							
IBRD	40.0	84.5	33.0	183.0	92.0	297.5	325.0
IDA	15.0	7.0	15.0	30.5	7	35.4	53.1
IFC		7			7	77.5	135.0
AMB	17.1	53.3	51.3	75.2	60.4	148.4	220.3
IME							

This assistance has helped the South Korean economy to continue its growth pattern throughout the 1974-75 worldwide recession.



## VI. SOUTH KOREA'S DOMESTIC DEFENSE INDUSTRY

### OVERVIEW

The most common reason given for the withdrawal of U.S. ground forces is South Korea's economic and industrial capacity. Now that withdrawal has been proposed, South Korea must switch a portion of its general industrial capacity into defense industries. This will take time because Korea's defense industries are still in early stages of development and have incurred several problems. Pressures for quick progress are great, however, since North Korea's defense industry is well developed and continued arms imports by South Korea are a drain on its economy. But, it is unclear how quickly the South will be able to produce quality weapons on a large scale.

The ROK defense industry is growing with the help of foreign investment. Light weapons and some artillery are being produced. But South Korea is a long way from self-sufficiency in medium or heavy equipment according to a briefing given Senator Glenn by U.S. military personnel. The following chart shows current and projected capacities.

[Deleted]

Two basic deficiencies exist in the ROK defense industry: insufficient quality control procedures; and weak management. The first deficiency arises from earlier ROK success in using U.S. technical data packages and reverse engineering to build small arms and communications equipment. Because of these achievements, they underestimated the technical skills necessary in industrial processes. The critically important machine industry still lacks sufficient skilled technicians. A U.S. Military Assistance Advisory Group (MAAG) study notes that "even the failures experienced in prototyping field and air defense artillery systems have not fully convinced them of the necessity of paying the price to acquire the 'how' through technical assistance programs from U.S. Government agencies or commercial firms." Production in accordance with specifications, inspections and testing of equipment are inadequate given the lack of quality control procedures. The second deficiency, poor management, reflects rigid, hierarchical management structures that result in skilled workers failing to surface production problems for resolution, weak coordination and inadequate manufacturing technology. Design, planning, manufacturing, tool industries, and personnel problems are all affected by weak management processes.

The ROK can become self-reliant in most modern armaments if it overcomes these two deficiencies. The most difficult task facing U.S. MAAG personnel is to make the Koreans aware of the need to spend money to acquire technical knowledge, not just hardware. It will be easier to help develop managerial systems and skills. But, unless both

these tasks are accomplished, the goal of self-reliance will be time consuming, prohibitive in costs, and ultimately a failure.

[Deleted.]

The rapidity of the defense industry's growth has created other problems. Since the early 1970's, South Korea's indigenous production has increased rapidly. There are presently [deleted] designated defense industries and [deleted] arsenals which produce or assemble [deleted] U.S. originated items of equipment and a variety of local equipment under the supervision of the Defense Industry Bureau of the Ministry of Defense.

But, the pressure for hasty production ultimately results in longer delays and greater costs. For example, some manufacture and design problems [deleted] resulted from undue haste according to U.S. Government officials. [Deleted.] In many cases, the end item manufactured fails to meet specifications. A major objective of MAAG personnel should be to persuade the ROK to slow production lines while instituting higher standards of quality control.

Another problem is planning and coordination. The Agency for Defense Development (ADD), the ROK research and development agency, does not have a clearly defined role vis-a-vis defense industries. As a result, technology transfers and information flows are greatly hampered. Further, the speed of defense industrial production has exceeded the capability of the ADD to monitor quality control and provide technical assistance. A directive akin to DOD Regulation 4155.1, defining responsibilities and relationships between agencies for quality control measures, is desirable and should be urged by MAAG personnel.

Yet another problem is the tendency of ROK defense industries to attempt to produce component parts in-house rather than rely on subcontractors. This practice often results in higher costs and lower quality. Further, this system exacerbates difficulties in anticipating the need for repair parts and support equipment.

#### SPECIFIC DEFENSE INDUSTRIES

Successful production lines are operational for AN/PRC 77 back pack field radio and AN/VRC-12 vehicle mounted command radio, M-16 rifles, small mortars, SB-22 switchboards and small arms ammunition. In effect, South Korean assembly line techniques for basic technology are impressive and the facilities visited by Senator Glenn confirm this fact. A more detailed review of South Korean defense production capabilities in specific product lines is presented below.

#### *Artillery*

In 1973 and 1974, prototypes for both the 105-mm and 155-mm howitzers were manufactured. The ADD purchased "as is" technical data packages without updating the information. In addition, drawing conversion to Korean standards was done without U.S. technical assistance.

During 1974-75, increasing numbers of defects became apparent in the prototype artillery weapons. These defects arose from manufacturing, material, and quality control problems. Then on June 2, 1975, the Ministry of Defense officially requested U.S. technical assistance

through the MAAG. In response a technical survey team from Rock Island (Illinois) and Watervliet (New York) Arsenals arrived in January, 1976, to evaluate the program. Because their assessment revealed a need for specific technical expertise, a technical assistance team from Watervliet Arsenal arrived in December, 1976, to provide advisory expertise in breach and tube production.

[Deleted.]

#### *Tanks*

Extensive discussions regarding upgrading of ROK armor assets were held between the ROK Joint Chiefs of Staff and the U.S. MAAG mission in 1976. Various options were considered. The ROK desire for acquisition of the M60A-1 tank could not be met [deleted].

The bulk of conversion material and technical assistance are to be purchased from the U.S., but Korea will produce up to 30 percent of the conversion components. [Deleted.]

#### *Fighter aircraft*

In 1974 Korea discussed co-assembly of fighter aircraft with three American companies. [Deleted.]

The U.S. Government continues to study the ROK request for F-16 aircraft. If a letter of offer is authorized, careful attention should be given to (1) its arms control implications, (2) how it will affect procurement by U.S. forces, and (3) how possible delivery lags might affect ROK defense. The F-16 has a combination of speed, maneuverability, combat radius, and avionics that make it a more highly sophisticated weapon than anything in the North or South Korean inventory. In addition, the U.S. Government continues to have reservations about any proposals for assembly of sophisticated fighter aircraft.

#### *Air defense missiles*

Since 1972, the MAAG has been working with the ROK to develop depot-level maintenance capabilities for the HAWK and Nike-Hercules missile system. Such a facility, located in South Korea, could save several million dollars over the life-cycle of these missiles given lower labor costs, reduced transportation costs, and utilization of local repair parts. In late 1974, the ROK Government authorized a commercial maintenance facility to be operated under contract by Gold Star Precision Industries, Limited. During 1975, Korean personnel toured U.S. facilities and training programs were started for Gold Star technicians. In 1976, U.S. military personnel and Raytheon Company personnel started to provide technical assistance to the South Koreans. Obviously, continuing technical and managerial assistance to the air defense missile facility will be necessary in the near term.

#### *Infantry weapons*

The ROK currently manufactures all the M16 rifles it needs under an agreement with Colt, Imco and the U.S. Government. ROK industries also produce adequate stocks of 60-mm, 81-mm, and 4.1-inch mortars. [Deleted.]

#### *Tactical mobility improvement program*

The South Korean tactical truck programs reflect improvements in Korean capabilities during the last five years. The goal is to lessen dependence on other countries while increasing Korean truck production

capabilities. During 1976, KIA Industries, after acquiring Asia Motors Corporation, was appointed defense contractor for all military wheeled vehicles produced in Korea. It is upgrading its  $\frac{1}{4}$ -ton class of trucks (jeeps) by retrofitting these models with a 2-liter KIA produced, 4-cylinder engine. Also under development is a  $\frac{1}{4}$ -ton truck of KIA design [deleted]. A 4.5-ton KIA commercial truck is being modified to military specifications. Both American and Japanese produced  $2\frac{1}{2}$ -ton trucks are being retrofitted with a Korean produced German diesel engine. This first Korean design and retrofit program has been successful. Plans also call for the design and production of a  $2\frac{1}{2}$ -ton truck by 1980. Korea is negotiating with American Motors General Products for the final assembly in Korea of the M809 series 5-ton truck using the Korean produced diesel.

#### *Helicopters*

Negotiations were underway in 1976 with Bell and Hughes Helicopter companies for co-assembly of light observation helicopters. Bell Helicopter Company proposed a model 206B helicopter and Hughes Helicopters proposed a variation of the 500MC.

The Hughes proposal for the 500MC was judged superior by the ROK to the Bell 206B. In addition, 25 helicopters were to be equipped with TOW missile launch capability which was not available on the Bell. Hughes also offered to finance the project [deleted]. Bell offered no financing. As a result of these factors, the contract was awarded to Hughes. The contract provides for [deleted] helicopters with delivery to be completed by 1978. Final assembly will be done in Korea except for the [deleted] TOW missile launch models. Korean Air Lines, partner in the project, is to build a new facility at Kimpo International Airport, besides acting as contracting agent for the ROK Government.

In late September 1976 the first four aircraft were delivered. Training of pilots and maintenance men began by January, 1977, at the same time the buildings at Kimpo were finished and phase I tooling was in place. Meanwhile, the ROK Army had begun planning for the operational employment, training, and logistical support [deleted].

#### *Ammunition production*

The ROK has steadily increased the type, quantity and quality of ammunition it produces for its basic weapons. [Deleted.] Inadequate quality control procedures limit effectiveness, as does the reluctance to pay for foreign technical assistance.

#### *ROK arms sales*

As indigenous defense production capabilities have expanded, the ROK has sought American approval to sell American originated defense equipment to third countries. Between February 1974 and February 1977, several Korean export requests were processed by the U.S. Government.

[Deleted.]

The United States has also endorsed a request allowing Korea to sell 60-mm, 81-mm, and 4.2-inch mortars and the 106-mm recoilless rifle. Generally, however, the U.S. Government has prohibited sales to third countries on the basis that these are in direct competition with U.S. industries.

*Foreign purchases*

Although most of the ROK defense equipment is presently produced under U.S. license, there may be future exceptions. Specifically, the South Koreans have been discussing possible purchases of rifle grenades, anti-tank weapons, multiple rocket launchers, ship to ship missiles, air defense missiles, armored personnel carriers, and tanks with other national governments. This attempt to diversify suppliers presumably reflects nagging doubts about the reliability of the U.S. commitment, and, of course, differing opinions on the desirability of certain weapons systems. The United States does not produce multiple rocket launchers or a ship-to-ship missile of [deleted] miles range, both systems in which ROK officials are interested.

The more significant policy question, however, is how the ROK economy reacts to expansive overseas defense purchasers. Clearly the South need not match the North item for item. For instance, South Korea has no need to acquire submarines. More importantly, South Korea cannot afford vast overseas arms purchases without endangering her economy. In the opinion of many analysts, South Korean defense spending cannot exceed ten percent of its GNP without adversely affecting the general economy and, therefore, political stability.



## VII. HUMAN RIGHTS IN KOREA

### BACKGROUND <sup>1</sup>

The human rights situation in South Korea is important for two reasons. First, the American people have a humanitarian interest in encouraging freedom for their fellow men the world over. That interest is especially keen in countries where the United States has a military commitment. Second, and perhaps more important, the United States has a national interest in preventing political oppression in South Korea from developing into a major domestic confrontation. Since there are U.S. forces present in South Korea and with the North poised to strike, internal conflict could place U.S. troops in a most precarious situation.

Since 1953 the South Korean Government has fluctuated between the trappings of democracy and strict authoritarian rule. The Government of Syngman Rhee became increasingly authoritarian during the 1950s until election irregularities in March 1960 precipitated student riots in which nearly 200 people were killed. Although President Rhee declared martial law, he was forced to resign in April 1960. Civilian rule under Chang Myon was disrupted after a year by a coup d'état led by Major General Park Chung Hee in 1961. These transitions of power, though not democratic, occurred without the level of domestic violence that might encourage a North Korean invasion. Then under threats of economic sanctions by the United States, Park allowed a return to civilian rule in April 1963. The new Constitution provided that "the essential substance of liberties and rights shall not be infringed." Under this new "democratic system" Park served two 4-year terms as President.

The democratic experiment ended in December 1971 when President Park declared a state of emergency, followed by martial law in October 1972. In November 1972, 92 percent of all voters approved the Yushin Constitution in a referendum held with limited public debate. The new Constitution provided the basis of continuation of Park's one-man rule by extending Presidential power (see Appendix I).

Observers of the Korean political scene generally give four reasons for President Park's actions. First, the worsening security situation, both internally and externally, required drastic action. During the late 1960s, North Korean guerrilla attacks increased, culminating in the 1969 raid on the Blue House (Presidential residence). Then in 1971, the United States began to change its policy in Asia, as illustrated by the 1971 withdrawal of the 7th Division from Korea, by the Shanghai Communiqué, the return of Okinawa, and the slow withdrawal from Vietnam, North Korea also began its military build-up during

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<sup>1</sup> For greater details, see appendix I.

this period. Second, President Park's 1971-73 diplomatic overtures to the North represented a "liberalized" foreign policy that required greater political control at home. Third, political economists have suggested that South Korea's economic "drive to maturity" led directly to authoritarian rule. South Korea's recent growth is based on export promotion rather than import substitution. Export promotion requires access to credit, technology transfers from developed countries and vertical decision-making structures—in short, a stable authoritarian political situation. However, other countries—such as Japan—have prospered in recent years under a democracy with vigorous export promotion policies. Finally, President Park's personal desire to retain power is cited as a major factor in the return to authoritarian rule. His electoral battle in 1971 with Kim Dae Jung, analysts believe, frightened Park. As a result he quickly developed a new constitution which avoided such direct challenges in the future.

#### THE HUMAN RIGHTS RECORD IN SOUTH KOREA <sup>2</sup>

There have been few political freedoms in South Korea since 1971, but most social and economic freedoms have survived. A small but highly attentive group in South Korea has been directly affected by President Park's decrees. These dissident groups consist primarily of opposition political parties, university people, church groups, and the press.

The average South Korean is, however, primarily concerned with economic and social well-being. Economically, per capita GNP is up more than 700 percent during Park's rule. Income is fairly evenly distributed for a developing nation. The February 1977 World Bank Report states "the distribution of income in Korea is among the best in the developing world," but income distribution is becoming less favorable. There is little outward evidence of popular unrest that might lead to massive civil disturbances.

For members of the dissident groups the years since 1971 have not been easy. According to Embassy officials, up to 150 political prisoners are still in jail. In an April 1975 report Amnesty International concluded:

Torture is frequently used in an attempt to extract false confessions and as a tactic of intimidation. These comprise water torture, electrical torture, beatings, and deprivation of sleep for long periods. (The 1977 Amnesty International report on South Korea does not discuss torture.)

Detention without charge . . . is frequent. The court will often refuse a defense application to call a witness and lawyers may be placed under house arrest while a trial takes place in their absence.

Systematic harassment of Korean citizens by law-enforcement agencies is commonplace. People are followed, their mail appears to have been opened prior to delivery, and telephones are tapped.

The pattern since 1971 has been for the government to react harshly to any attempts to subvert its power. When political tensions subside, the government relaxes its controls, but never enough to satisfy the dissident groups. They in turn reject the government's leniency and demand a return to democracy. Then the government reacts again by tightening controls.

<sup>2</sup> Also see Niksch, Larry. "Republic of Korea: U.S. Commitments and the Question of Human Rights"—Congressional Research Service Issue Brief No. IB74115, May 3, 1975.

One of the first incidents to set off this chain reaction was the August 1973 Korean Central Intelligence Agency kidnapping of Kim Dae Jung from his Tokyo hotel. It is unknown whether the KCIA acted with Park's approval. However, several Korean diplomats were involved. The former Presidential candidate has been in a Korean prison or under house arrest almost continuously since his abduction.

In early 1974 two emergency decrees were promulgated under which prominent politicians, religious leaders and students, were imprisoned or disappeared. During the summer of 1974, trials were held and 203 people were convicted. Many were apparently tortured in jail and several prisoners linked to the Peoples Revolutionary Party (communists) were sentenced to death.

Once Park had made his point he reversed ground. On August 23, 1974, under pressure from the U.S. and Japan, he abrogated the two emergency decrees and allowed renewed demonstrations. In February 1975, after a nationwide referendum in which 73 percent of those voting approved his policies, Park released all but 35 of the political prisoners sent to jail a year earlier. At the same time he called for national unity and reconciliation.

Opposition leaders rejected Park's conciliatory efforts and called for a return to democracy and release of the remaining 35 political prisoners. New student demonstrations erupted in April 1975. The government again reacted harshly. Laws were passed forbidding South Korean citizens from criticizing the government in conversations with foreigners. Korea University in Seoul was closed and a new decree prohibited further campus demonstrations against the government. In May 1975, the government issued Emergency Measure No. 9, prohibiting opposition to the Yushin Constitution, student assembly for political purposes, removal from the country of Korean-owned property, and opposition to the decree itself. It permits arrest, detention, search and seizure without warrant.

On March 1, 1976, 12 prominent Korean opposition figures signed a "Declaration on Democracy and National Salvation" (otherwise known as the Myeongdong Declaration), which called for repeal of Emergency Measure No. 9. Again, President Park reacted harshly by arresting all but one of the 12 signers, including Kim Dae Jung and former President Yun Po-Sun, as well as 15 coconspirators. After a lengthy trial all were found guilty. All except Kim Dae Jung have now been released and he has been transferred to hospital detention in Seoul.

President Park's initial reaction to President Carter's call for human rights was negative. On February 4, 1977, he instructed that "severe legal restraints" be imposed on individuals who criticize the Yushin Constitution. But based on conversations with dissidents and U.S. Embassy officials in Korea, it is clear that President Park is again slowly loosening the reins on South Korea's dissidents. The U.S. troop withdrawal decision has strengthened his hand politically because public concern over it has united the people, thus he can afford to be more lenient. On July 17, the Government released 14 political prisoners. Since then 33 additional prisoner releases have been announced. According to South Korean dissidents, there have been no new substantiated claims of torture for several years. Perhaps most

significantly, the government's reaction to a dissidents' March 22, 1977 "Charter for Democracy and National Salvation" was fairly mild. The charter reaffirmed the Myondong declaration, called for abolition of the Yushin Constitution, and blames the Park "dictatorship" for U.S. troop withdrawal and the bribery scandal. The ten signers were arrested and held for several weeks but according to U.S. Embassy officials, they were not prosecuted.

South Korean dissidents, however, are not pleased with the limited reforms to which Park has agreed. Many dissidents told the Committee on Foreign Relations staff that the KCIA was using "preventative measures" to curtail political actions.

#### HUMAN RIGHTS IN PERSPECTIVE, THE CASE OF NORTH KOREA

South Korea does have major human rights problems, but these problems should be put into perspective. An Amnesty International official observed that the structure of South Korea's legal system is such that it is easy to compare the ideal with the real. Most trials are in accordance with a fairly open legal system and receive publicity. Americans, the official said, can easily apply the U.S. value system to judge South Korea because the Koreans themselves have in their Constitution adopted U.S. values. However, the official continued, when judging other authoritarian governments in Asia, information is often not available, and Americans tend to use a different value system.

By contrast with South Korea, North Korea's human rights situation is abysmal. There is no real comparison between conditions in these two countries. A July 1977 Congressional Research Service study concluded, for example, "individual liberties and democratic political practices are nonexistent in North Korea." North Korea is "a highly centralized, Soviet-style totalitarian state dominated by communist ideology and the personality of Kim Il Sung." The partial freedoms guaranteed by the 1972 Constitution are eroded by a series of Articles intended to protect the North Korean system. No political opposition is tolerated. The only way an individual can engage in political activity is through the Workers Party. The only vote they can cast is for or against a candidate chosen by the Party. The government controls all news distribution through the Korean Central News Agency. By contrast, South Korea tolerates opposition political parties in the National Assembly, holds relatively free elections, allows private ownership of newspapers, and tolerates some public criticism.

North Korea's ideological dogma is ruthlessly policed by the government's Ministry of Public Security's tens of thousands of agents. Although the government operates two known camps for political prisoners, the number of political prisoners is unknown. Defectors report that prison conditions in North Korea are inhumane.

Political crimes include espionage, criticism of Kim Il-Sung, and defacing statutes of Kim Il-Sung. There is reportedly no freedom of religion or education. One source told the staff that the last religious function reported in North Korea was in September 1960. Most temples and churches have been looted by the government. Similarly, the educational system is totally controlled by the state. It includes intense ideological training. Entrance into schools of higher education

depends in large measure upon an individual's ideological fitness. By contrast, South Korea has a higher degree of religious and academic freedom.

North Korea's economic and social conditions are also reportedly very poor. Because of its high defense burden (estimated at between 14-30 percent of GNP) North Korea has few consumer goods available. Production of heavy industry has priority in the economy. There are, however, social programs providing free medical care, low-rent housing and government-subsidized food. The North's garrison economy and heavy investment in defense has led to North Korean defaults in 1975-76 on loan payments of about \$300 million due to Western creditors.

The impact of Pyongyang's economic and social policies is felt by every citizen. There is no private ownership of land or freedom to change jobs. At harvest time people are ordered out of the cities and into the fields. The daily life schedule, both for rural and urban workers, is rigorous. Although it may be an overstatement, one defector reported that most North Koreans are forced to work 15-hour days followed by two hours of political indoctrination each evening. Reports of such harsh working conditions, however, are disputed by some visitors to North Korea. There is also no freedom of movement. Internal travel requires a passport approved by officials at both ends of the trip.

According to defectors, all North Koreans are classified in a rigorous caste system that determines each person's social and economic privileges. The classification system allows for three groups. The first contains about 11 percent of the population and consists of "loyal supporters, heroes, and soldiers." They receive preferred treatment. The second group consists of 74 percent of the population, primarily those with any previous contact with South Korea or the church. They are considered socially unstable and in need of constant indoctrination. The third group, about 15 percent of the population, is considered "hostile." They include those who were once wealthy, former religious leaders, persons with contacts with Imperial Japan, and anyone who has criticized Kim Il-Sung. This hostile group is under constant surveillance. By contrast, South Korea has a market economy, unrestricted internal travel, and a high degree of social mobility.

#### U.S. TROOP WITHDRAWAL AND THE HUMAN RIGHTS PROBLEM

In the short run, President Carter's decision to withdraw all U.S. ground troops from Korea may have had a positive effect on the human rights situation in South Korea. Koreans of all walks of life shared great concern about troop withdrawal during the first half of 1977. One outward sign of this trend was the landslide election of an extremely conservative pro-Park judge in traditionally liberal Seoul. As a result, Park's political position has been temporarily strengthened. He therefore has released political prisoners.

In the long term, however, the withdrawal decision may have a negative impact. Once the initial effect of the shock wears off, security restrictions are likely to be tightened. A leading National Assembly member from Park's party told the staff "if necessary we will give up

all our freedoms to survive as a national entity . . . we will take devilish measures if necessary." As a result, every Korean dissident interviewed opposed U.S. troop withdrawal. The Korean National Council of Churches in a recent position paper stated bluntly "we would like here to make clear our belief that the plan to withdraw American troops will deal a death blow to our people's churches in their struggle for freedom, justice and human rights." They fear that without a strong American presence there will be no restraining the government.

Another complaint Korean human rights groups have is that by withdrawing the United States will lose leverage to improve the situation. The only economic aid that the United States still sends to Korea is Public Law 480 assistance, a difficult vehicle to use for political leverage. The military aid package must be prudently judged on its own merits, since the troop withdrawal effort is at stake.

## APPENDIX I

### POLITICAL BACKGROUND OF THE REPUBLIC OF KOREA

#### THE GOVERNMENT OF SYNGMAN RHEE

Korea was liberated from Japanese occupation in 1945. Two independent states were created in 1948. In July 1948 a constitution was promulgated for the Republic of Korea and Syngman Rhee became President. In 1950 war broke out and by 1951 Rhee faced a hostile National Assembly. In April 1952 the National Assembly introduced a constitutional amendment to curtail presidential powers. The bill sought to shift executive powers to a prime minister and to bring the cabinet under the Assembly's control. The Rhee Government countered by declaring martial law in May 1952 for the Pusan area (the wartime capital), claiming connection between some South Korean assemblymen and "international Communist organizations." In July, however, the reluctant Assembly was coerced into supporting a Rhee amendment allowing for direct election of a President. Three weeks later Rhee was elected by the people.

In September 1952 Rhee initiated further constitutional amendments designed to ensure that he would remain president for life and to weaken the power of the National Assembly in relation to the executive. To achieve these objectives, the two-term limitation on presidential tenure was removed from the constitution by an amendment bill declared passed in November 1954 under highly questionable circumstances. Corruption in government, electoral fraud in 1960 and poor economic policies ultimately led to riots and the downfall of the Rhee Government in April 1960.

The Second Republic was born in August 1960 when the government was reorganized into a parliamentary system with Chang Myon as Prime Minister. The new Chang Government faced severe problems: the rehabilitation of an economy still recovering from the war; the foregoing of a national consensus; and the balancing of the need for national security against civil liberty. The unfamiliar and frustrating experience of the transition from Rhee's autocracy to a broad democratic order posed additional political problems.

The Chang Government's efforts to manage these problems was cut short in May 1961 by a military coup. A group of army officers led by Major General Park Chung Hee and Lt. Col. (Ret.) Kim Jong-pil overthrew the government in a military coup. The military junta soon banned political parties, the legislature and temporarily suspended the constitution. The Korean people accepted the coup as a necessary, but temporary, treatment for their deteriorating society.

General Park justified the coup by noting:

The military revolution is not the destruction of democracy in Korea. Rather, it is a way of saving it; it is a surgical operation intended to exorcise a malignant social, political and economic tumor.

#### CIVIL-MILITARY GOVERNMENT

The major political development between 1961 and 1969 was the entrenchment of former junta leaders in nominally civilian political institutions and government. The period was also characterized by a more open contest for political power, including two unusually fair elections. The government performance in expanding the economy after 1965 and in weathering domestic crises brought stability and legitimacy to the Park regime.

Recognizing their inherent limitations and given prolonged effort by the United States, the military leaders prepared for the resumption of civilian rule sometime in 1963 by amending the constitution to restore the presidential system of government in December 1962. Political parties were permitted to resume their activities in January 1963. However, steadily worsening living conditions had cooled the initially favorable popular opinion toward the military leadership.

Thus, in February 1963, General Park admitted the failure of his regime and announced that he would turn over the government to civilians by the summer. Further he said he would not be a candidate. Within a month Park reversed himself by proposing four more years of military rule. After intense opposition, Park made a new pledge in May that power would be returned by the end of 1963. In August he resigned from military service and joined the newly formed Democratic Republican Party (DRP), created by Kim Jong-pil, as a vehicle for the junta's continued political participation.

Thus, in October 1963, as the Democratic Republican Party presidential candidate, Park ran against a civilian opponent, Yun, and won a narrow, but apparently honest election. He affirmed his goal of modernization and announced intended reforms: an anticorruption drive and the establishment of a more energetic activist national leadership. In October 1963 the Third Republic of Korea was created.

In 1967 Park was again elected President, despite opposition charges of corruption. In July 1969, amid a storm of public protests, President Park let it be known that he would not oppose a constitutional amendment allowing him to serve a third term as President. In September such a bill was slipped through the National Assembly in a secret predawn maneuver by the Democratic Republican Party without the presence of opposition members. Angry protests notwithstanding, the bill was endorsed in a popular referendum held in October 1969.

President Park was reelected for his third and final term under the then-prevailing constitution in 1971. Park, the nominee of the Democratic Republican Party (DRP), received 51.2 percent of the vote and Kim Dae Jung, the nominee of the New Democratic Party (NDP), received 43.6 percent of the vote. Five other candidates split the remaining votes. Park's victory margin exceeded his earlier electoral totals of 46.7 percent (1963) and neared his high of 51.4 percent (1967). Apparently, Park was then perceived by many as a dedicated leader anxious to improve socio-economic conditions in South Korea. Economic success was the basis of the regime's legitimacy and remains so today.

While Park's electoral strength steadily gained, the DRP electoral appeal was slipping. DRP candidates won 32.4 percent of the Assembly seats in 1963, 52.8 percent in 1967, and declined slightly to 47.7 percent in 1971. In the National Assembly election of May 1971, the opposition NDP won 65 of the 153 single-member electoral district seats and 24 additional seats based on the total votes received by the Party. The ruling DRP gained 86 and 27 seats respectively. Other parties gained two seats. In the nine major urban areas, the opposition NDP gained 35 seats compared to seven seats for the DRP. A growing anti-DRP movement in urban areas was thus confirmed.

The preliminary move to tighten internal security occurred with the declaration of a state of emergency on December 6, 1971. These measures followed the initiation of the August 1971 North-South Red Cross discussions, and a year of rising student protests climaxed by the use of military troops against students. In August, 30,000 people in a Seoul public housing complex fought riot police to protest unemployment. The President argued these emergency measures were necessary because of changes in the international situation and North Korea's "aggressive" intentions. The National Assembly, with only DRP members voting, passed a bill granting emergency powers on December 26, 1971. A declaration of martial law came on October 17, 1972. Although the Fourth Constitution has been justified as necessary for national unification, there is no doubt that the continuation of Park Chung Hee in office was another motivating factor.

#### THE POLITICS OF CONSTITUTIONAL REVISION

South Korea's Fourth Republic was created by the Yushin Constitution, passed under martial law in November 1972. A surprise and bloodless coup dismantled opposition parties. Stringent press censorship was applied. More importantly, unlike the Third Constitution, no attempt was made to solicit opposition views and public hearings were not held. Instead, the Constitution was drafted secretly and presented to the people in a national referendum following an extensive educational campaign. The people overwhelmingly approved it with 91.5 percent of the electorate participating, voting affirmatively. However, some dissidents boycotted the referendum.

The constitutional revision was justified by Park's spokesman, Kim Song-jin, because we must "have unity in order to have a dialogue with the North," since South Korea "cannot afford to risk political unity when North Koreans have complete control over everything their people say and do" (New York Times, October 20, 1972). Later on January 12, 1973, Park said the "great changes" on the international scene, specifically the rapprochement between Peking and Washington, the normalization of relations between Tokyo and Peking, the severing of Japanese diplomatic ties with Taiwan, the situation in Vietnam and the North-South dialogue, required the revision of the Constitution. Earlier, of course, in March 1971, 20,000 personnel from the 7th Division had been withdrawn. Thus, South Korean security perceptions and nagging doubts about U.S. credibility were mixed with Park's apparent desire to retain power and resulted in a new constitution.

The Yushin Constitution differentiates specifically among institutions. The Office of the President possesses greatly expanded power that has diminished the power of other institutions. For example, the President is now elected by the National Conference for Unification. Under this indirect election process, Park was elected without opposition to a 6-year term of office in 1972. This new institution of between 2,000 to 5,000 members is directly elected by the people for 3-year terms. The President serves as chairman. Its other duties include approval of constitutional amendments proposed by the National Assembly and approval of one-third of the members of the National Assembly that are nominated by the President. Further, Presidential terms of office (6 years) are now constitutionally unlimited, whereas previously a President was restricted to three consecutive terms of four years each.

The presidential emergency powers authorized in the Yushin Constitution were exercised in 1974 and 1975. Under the 1974 Emergency Measures any criticism of the Yushin Constitution or governmental system was prohibited, as were any forms of unauthorized student political activity. Under these laws, 203 persons were tried; 168 were subsequently released, although not pardoned; the remaining prisoners were found guilty of crimes under existing statutes; and 8 who had been sentenced to death were executed in April 1975.

Emergency Measure No. 9, in effect since May 13, 1975, outlaws any political actions, calls for constitutional revision, criticism of the Emergency Measure itself, student political activities and spreading "false rumors." Further, under the University Appointments Law, the Education Minister reserved final authority on reappointment of professors. More than 400 have been reported as dismissed. The Korean Government has justified these restrictions on internal political activity by citing the need to increase national unity in order to defend against the North Korean threat. The opposition parties, Catholic and Protestant church groups, students and some newspapers have been the main domestic critics of the Government. According to U.S. Embassy personnel in August 1977, there were approximately 160 people in jail for violation of Emergency Measure No. 9. The one encouraging development was that on July 17, 1977, 14 of those being held were released on parole. This move followed closely a unanimous National Assembly resolution calling on the Administration to repeal the emergency measures and show leniency to the prisoners.

The broadening of emergency powers has made the presidency a formidable institution. Paragraph 1 of Article 53 of the Constitution provides that:

In time of natural calamity or a grave financial or economic crisis, and in case the national security or the public safety and order is seriously threatened or anticipated to be threatened . . . the President shall have power to take necessary emergency measures in the whole range of the state affairs, including internal affairs, foreign affairs, national defense, economic, financial and judicial affairs.

In emergencies the President may temporarily suspend the basic rights of the people to enforce special executive and judicial measures. Although required to inform the National Assembly of the emergency measures proclaimed, his actions are not subject to judicial review. The President is the sole authority in determining the legality of such emergency measures. In addition, the President is empowered to de-

clare martial law "in time of war, armed conflict or similar national emergency, when there is a military necessity, or a necessity to maintain the public safety and order by mobilization of the military forces."

According to an official booklet on the Constitution, an extraordinary decree issued by the President and implemented under an extraordinary measure has the same legal status as the Constitution itself. An emergency decree put into effect under an emergency measure has the effect of ordinary law enacted by the National Assembly. More significantly, the legality of these special decrees and measures cannot be challenged by an entity or individual under the 1972 Constitution.

Another significant change between the Third and Fourth Constitutions is found in the chapter on "Rights and Duties of Citizens," where a lessening of the freedoms of assembly, speech and collective bargaining is apparent through greater utilization of a qualifying clause, "as provided by law."

#### THE NATIONAL ASSEMBLY

The legislative role of the one-house National Assembly has been reduced from that of the Third Republic. Each legislative session is now restricted to 90 days. The Assembly may also be dissolved by the President before the conclusion of its six-year term. The only appointments subject to Assembly confirmation are the Prime Minister and the Chief Justice of the Supreme Court. Members of the State Council (the Cabinet), the members of the Constitutional Committee (which rules upon the constitutionality of a law), members of the Central Election Management Committee and a third (73 members) of the Assembly are appointed solely by the President with no legislative oversight. In February 1976, the directly appointed Assembly members were announced. They form the largest single bloc in the legislature and when combined with the second largest bloc, the DRP, give President Park a command majority. Two-thirds (146) of the members of the Assembly are directly elected for a term of 6 years by secret ballot.

While the Assembly is in session, its members are granted immunity from arrest, detention or other legal action except in case of high crimes and treason. The Assembly elects one speaker and two vice speakers. Under a February 1973 law, the powers of the speaker were substantially increased so that he could "bring the legislative operations under discipline and control." For example, a member is required to submit in advance a written summation of his speech to the speaker if he seeks recognition. The President may veto bills. If the Assembly overrides the Presidential objection with the concurrence of two-thirds of the members present, the bill becomes law. However, because of Presidential appointments and DRP elected members, it is unlikely the Assembly will override a veto.

The declaration of war, the dispatch of troops overseas, or the stationing of foreign troops in South Korean territory are also subject to the consent of the Assembly.

Still, the power of the Assembly to check the executive was substantially curtailed in 1972. The Assembly was deprived of its earlier power to investigate and audit executive agencies and to demand, if

necessary, the submission of documents and the appearance of witnesses. Under the 1972 constitutional arrangement, the Assembly is only permitted to request the appearance of the Prime Minister or a Cabinet Minister for questioning.

#### THE JUDICIAL BRANCH

Judicial power is vested in a hierarchy of courts as provided for by the Constitution and the Court Organization Law of 1949, as amended. However, under the 1972 constitutional amendments, judicial independence has been adversely affected, especially the earlier power of judicial review and the role of the Supreme Court as the guardian of the citizens' basic rights.

The Supreme Court is the highest tribunal and is empowered to establish judicial procedures and regulate the lower courts. The Chief Justice is appointed by the President for a term of six years with the consent of the National Assembly. The pre-1972 requirement for a recommendation by the independent Judge Recommendation Council has been deleted. Associate justices are also appointed by the President, as are all lower court judges. Previously lower court judges had been appointed by the Supreme Court. Justices and judges may be removed from office only through impeachment, criminal conviction, or disciplinary action. Tenure is established by law with mandatory retirement age. The net effect is to make the judiciary a creature of the executive.

Before 1972 the Supreme Court was the final authority for interpreting the constitutionality of a law, but now this authority resides in the newly created Constitution Committee, whose nine members are appointed by the President for a term of 6 years. Further, the revised Code of Criminal Procedures of February 1973 stripped the judiciary of its power to review the legality of arrests or detentions by the authorities. Citizens, therefore, could be arrested without warrant and without the right to ask courts to review the legality of actions against them.

#### LOCAL GOVERNMENT

The principle of local self-government was formally recognized in the Constitution of 1948, and the Local Autonomy Law of 1949. The Rhee Government, however, showed little interest in developing local government during the war years and the aftermath. After Rhee was ousted in 1960, the Government of Chang Myon took steps to implement the Local Autonomy Law. Local elections were held in December of that year for mayors of Seoul and Pusan, governors of provinces, and members of local councils. It was the first time in Korean history that heads of local governing units were chosen by universal, direct and secret ballot.

But when the military seized control of the government in May 1961, local councils were ordered disbanded, and heads of local government units were made appointive. Today, these units function as administrative arms of the central government. National authorities assert that the political climate is not conducive to the practice of self-government at the local level.

Administratively, Seoul and Pusan are special cities, directly under the control of the central government, as are the nine provinces. The

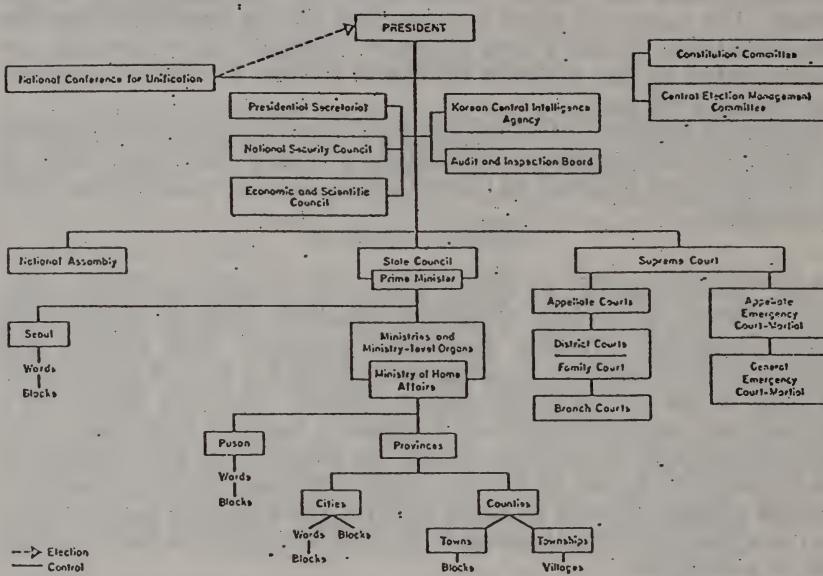
status of Seoul, 26 miles from the DMZ, however, is unique since its administration is subject to direct control and supervision of the Prime Minister. Pusan and the provinces report to the Ministry of Home Affairs. The mayor of Seoul is appointed by the President upon the recommendation of the Prime Minister. Heads of other divisions are recommended by the Minister of Home Affairs for formal appointment by the President.

Mayors of ordinary cities and county chiefs are civil servants. Heads of towns and townships are appointed by county chiefs and heads of wards by mayors or heads of towns; village heads are named by heads of townships.

#### POLITICAL CULTURE

The "modernization" of South Korea has created inevitable problems between an ancient Confucian-oriented political culture and newly implanted Western democratic concepts. This conflict and Korea's perilous security situation have created a fear of political instability unless strong leadership is evident. Yet, this desire for a personalized, authoritarian leader lessens a regime's legitimacy. It is this complex mix of problems which has plagued the short history of the Republic of Korea. In a sense, there is still an ongoing struggle to create a modern Korean political culture. There has yet to be a peaceful transition of political power in the 30 years of South Korea's existence as a Republic.

The South Korean political culture is still characterized by certain patterns that have prevailed since 1948: a concentration of government powers in Seoul; the trend toward authoritarian government; little tolerance of dissent; use of a perceived threat from North Korea as justification for political repression; and the powerlessness of the opposition. The diagram on page 70 illustrates the current system of Presidential control.



Republic of Korea, the Governmental System, 1974

Since 1961 many of the influential political and government leaders have been former military officers whose personal loyalty is assured. They are strategically placed in the Administration and in the Democratic Republican Party. A small number of civilian ministers and technocrats also have some influence, especially in the area of economic decisionmaking. There are, more importantly, no strong indications of disaffection within the military establishment, which is the ultimate source of Park's power and the only potential threat to his power.

Many of the ex-military officers were participants in the 1961 coup and owe their influence and prestige partly to their proven managerial talents, but most of all to their unquestioning loyalty to President Park.

Some observers suggest loyalty is given an increasingly weighty consideration in political appointments and that this tendency will further accentuate "the personalized nature of the power structure." Military dominance has been attenuated somewhat by the infusion of civilian technocrats. In most cases these civilians were senior bureaucrats with long, meritorious service in the economic and fiscal areas.

In support of his Government, Park has maintained a pervasive system of political control through the Korean Central Intelligence Agency (KCIA). This agency is responsible for intelligence-gathering, anti-subversive activities, political and economic surveillance, psychological warfare and other secret police functions.

Political opposition is fragmented, weak and too poorly organized to be able to channel pressures within the society for political and economic change. The major opposition party, the New Democratic Party, was split into five opposing factions in 1976. The failings of the New Democratic Party, coupled with the prospect of a continuing one-man, one-party rule under Park, is evidently a disincentive to political opposition.

The unresolved issue is what political values are best suited to Korean culture? Since 1970 there has been a growing discussion in newspapers and journals about "Korean democracy." Some political commentators and scholars expound the view that South Korea should have an "indigenized" form of democratic government, a government that is more compatible with the society's tradition and contemporary needs. They argue that the Western model of democracy should not be accepted or glorified uncritically and that the relevance of Western democratic concepts and practices to South Korea should be re-examined. Because Confucianism stresses a hierachial system and deference, Western-style democracy and egalitarianism are foreign concepts. In the Confucian tradition, the leader is a teacher-ruler and government is an extension of this role. Shared powers, so common in American political traditions, are alien to Korean tradition. Moreover, centuries of inculcation have established acquiescence to authoritarian systems.

President Park's objectives of economic development, a strong national defense and national solidarity appear to be shared by the majority of ROK citizens. Hence, there has been general acceptance of the emergency measures instituted since 1971. Park maintains that "liberal democracy" is his goal, but that present conditions require

modifications to accommodate South Korea's situation. However, clearly some of the young (about 60 percent of the population was born after 1950) are less persuaded and it is this segment's allegiance that is crucial for future political developments.

If Park is successful in creating a consensus for a new style "Korean democracy," he will have resolved a major question that may yet inhibit economic development. The test of a stable political system is whether it is secure enough to allow change and transitions of power without violent disruption. The Republic of Korea has yet to pass that test.

## APPENDIX II

### ECONOMIC DEVELOPMENTS IN THE REPUBLIC OF KOREA

The South Korean economy has been one of the fastest-growing in the world, averaging nearly 11 percent real growth annually during the last 15 years. This growth is evident in two sets of statistics: per capita income has risen from less than \$100 in 1961 to \$700 in 1976; and the manufacturing sector has risen from 11 percent of GNP in 1961 to 35 percent in 1976 with a corresponding decrease in the agricultural sector. This industrialization has been built upon South Korea's comparative advantage in labor intensive products produced for export. Exports have risen from \$175 million in 1965 to \$8 billion in 1976 with Japan and the United States as major markets. In short, the South Koreans have a low wage, high export development model that is quite successful. Current plans call for shifting even more towards an industrial base and are described in the section on the Fourth 5-Year Plan.

Economic development in South Korea has been both a political and psychological issue. In the early 1960s the question of how to achieve economic development was perhaps the principal political issue. By the mid-1960s structural changes in the economy were evident and the international economic community started to follow the rapid development. More importantly, the transition to a successful independent economic entity has helped to create a sense of nationalism in South Korea.

#### RECENT PERFORMANCE

Korea's economy has recently been buffeted by several severe shocks: the oil crisis of 1973 and the worldwide recession of 1974-75. Despite these problems, the growth of the Korean economy has averaged 11.2 percent since 1973 and grew 15.2 percent in 1976. This rapid economic growth was led by the mining and manufacturing sectors which attained an average growth rate of 20 percent during 1971-76 as a result of sharp rises in exports. During this period, the agriculture, forestry and fisheries sector grew by 5.8 percent a year while the services sector's rate equaled the projected 8.5 percent. As a result, by 1976 the agricultural sector accounted for 20.3 percent of GNP compared to 28 percent in 1970. The industrial component rose from 22.8 percent in 1970 to 35 percent in 1976. Korea thus entered into its industrial phase during the first half of the 1970s.

A 56 percent increase in exports led to near record economic growth in 1976. Industrial production increased by 33.2 percent. An encourag-

ing development was the control of inflationary pressures. Wholesale prices increased by a moderate 8.9 percent and the consumer price index was up by 11.2 percent, both well below the recent trend. South Korea's strong export performance resulted in a balance of payments turnaround with only a small \$270 million current account deficit recorded in 1976.

Although led by exports, other areas of the economy also contributed to the higher growth rate in 1976. In real terms total consumption was up 8.1 percent, with private consumption growing at 7 percent and government consumption at 15.7 percent. Real gross investment rose by 17 percent compared to the one percent registered in 1975. Per capita GNP at \$698 was almost double the \$361 recorded in 1973. Paced by the best rice harvest in history (5.2 million MT) and a 15.5-percent gain in the fishing industry, agriculture, forestry and fishing grew by 8.3 percent, the best year since 1969. Manufacturing output increased by 25.9 percent while social overhead capital (electricity, transportation and communications) rose 15.3 percent and other services by 9.3 percent. In general, sectoral growth was well balanced.

Indicators point to 1977 as another good year for the Korean economy. Initial Government projections and goals include a real growth rate for GNP at 10 percent, the holding of both wholesale and retail price increases to 10 percent, and a commodity export target of \$10 billion. Per capita GNP is projected to rise to \$853. Manufacturing is again forecast to lead sectoral growth at 17.4 percent, with the growth rate in agriculture falling to its longer-term trend rate of four percent. Severe cold and dry weather during the early part of 1977 make agricultural forecasts somewhat tenuous, but other projections are expected to be met or exceeded.

#### ECONOMIC VULNERABILITY

Some economists assert that the South Korean economy is quite vulnerable because of its reliance on exports and massive short-term borrowing to finance needed raw material imports. This was dramatized during the 1974-75 world recession which curtailed ROK exports while imports continued at normal levels. The net effect was to create current account deficits of \$2.0 billion in 1974 and \$1.9 billion in 1975. By 1975 the ROK had utilized about 80 percent of its short-term credit capacity.

But South Korea weathered the storm fairly well. The resumption of export growth in 1976 exceeded all expectations. In addition, the ROK established an Export-Import Bank in July 1976, which should further aid economic development. Utilization of short-term credit is back down to 35 percent of capacity. The ROK economic performance continues to inspire investor confidence. But, a continued U.S. commitment to the security of South Korea is probably required to maintain the confidence. As yet the proposed withdrawal of U.S. troops appears not to have affected that confidence. For example, the Federal Republic of Germany recently provided South Korea with a 7-year market-rate loan of \$100 million.

Concerns over South Korea's economic vulnerability may, therefore, be exaggerated. Although 35 percent of South Korea's GNP is made up of exports, this appears manageable so long as there is no prolonged worldwide recession or massive worldwide trade restrictions. Seventy-five of South Korea's export products are under restriction—25 items alone were added this year. Textiles, the leading export (35 percent), face increasing trade restrictions. Another possible danger to South Korea's economy is disruption of petroleum supplies. If the flow of petroleum is severely constricted or halted, the South Korean economic miracle would be heavily damaged. Provided that the world economy remains healthy, that international trade remains relatively unrestricted and that oil supplies remain reliable, then the outlook for South Korea's economy appears good.

#### DEFENSE SPENDING

Historically, South Korean defense spending has lagged behind North Korean efforts by a wide margin. The commitment of U.S. forces in a deterrence role has thus enabled the ROK to implement an economic development that is one of the world's most successful. South Korean defense spending since 1970 is depicted below:

	U.S. dollars (millions)	Percent of GNP
1970	239	4.3
1971	387	4.4
1972	442	4.9
1973	461	3.1
1974	734	4.0
1975	914	4.7
1976	1,525	6.5
1977 (estimate)	2,005	6.5

By contrast, North Korea spends from 14 to 30 percent of GNP on defense.

Defense spending is expected to rise abruptly in 1978 as a result of proposed U.S. troop withdrawal. If ROK defense spending were to rise above 8 to 10 percent of GNP, there could be corresponding reductions in real GNP growth. Continued GNP growth is necessary to secure critical foreign loan commitments. Moreover, an estimated annual 9 percent real growth in GNP is necessary just to keep unemployment from rising above current levels. Although the work force is not politicized, there is concern that any significant increase in unemployment might trigger turmoil and political instability. U.S. officials estimate that if the currently planned 1978 ROK defense budget of \$2.6 billion were increased to \$3.6 billion (9 percent of GNP), real GNP growth could drop to well below 9 percent. Such a decline would adversely affect employment rates, with possible implications for political stability and internal security.

Given the choice between economic growth and defense spending, South Korea will now choose the latter. U.S. FMS credits for the Force Improvement Plan may allow South Korea partially to defer this choice and continue to invest for economic growth. The FMS

credits will also help to maintain the confidence of other foreign investors. According to the current 5-year plan, the ROK will be able to finance its own military needs by 1981. Thus, FMS credits would no longer be required.

#### BALANCE OF PAYMENTS

After 2 years of deficits on the current account of roughly \$2 billion a year, the 1976 export boom produced a remarkable recovery in Korea's balance of payments situation. The table below shows these improvements.

#### SOUTH KOREA: BALANCE OF PAYMENTS

[In millions of U.S. dollars]

	1975	1976	1977 (projections)
Exports (f.o.b.)	5,003	7,815	10,000
Imports (f.o.b.)	6,674	8,405	10,800
Trade balance	−1,671	−590	−800
Service receipts	881	1,643	3,000
Service payments	1,323	1,715	2,500
Net services	−442	−72	500
Net transfers	227	349	329
Current account balance	−1,887	−314	20
Net long-term capital	1,405	1,405	1,440
Net short-term capital (including errors and omissions)	974	328	−260
Change in reserves	492	1,419	1,200
Debt service ratio (percent)	(12.5)	(11.2)	(11)
External debt (1 year and over)	6,047	7,370	8,811

The 1976 current account deficit was \$314 million. The narrowing of the trade deficit by \$1.1 billion accounts for most of this improvement. Although net long- and medium-term capital inflows fell somewhat short of the \$1.5 billion target in 1976, they were sufficient to restore the basic balance to surplus after 2 years of deficit. Moreover, the ROK belatedly instituted a program to reduce imports. Imports in 1976 expanded at a slower rate than in 1975. The reduction, coupled with the high rate of capital inflow, makes much smaller deficits quite manageable. Sharply increased foreign exchange receipts from tourism and overseas construction activities were also important factors in altering the trend. On the capital side, net short-term inflows in 1976 were down steeply from the levels of the past 2 years when Korea had to resort to extensive short-term borrowing to finance its large current account deficits.

Projections for 1977 show continued improvement and a surplus in the current account balance. Long-term capital is projected as constant while short-term debt of \$260 million can be retired. Foreign exchange reserves are expected to increase by \$1.2 billion to about \$4.1 billion at the end of 1977. South Korean projections for 1981 are equally bullish. A current account surplus of over \$1 billion is expected with foreign exchange holdings over \$6 billion.

#### TRADE

Rebounding demand in the U.S. market, particularly for textiles, has been the strongest element in the Korean export surge. Continued sharp gains in exports of textile and construction projects to Middle

Eastern markets have also played a major role. Although Japan and the United States are South Korea's major markets, their combined share of exports have declined from 70 percent in 1973 to 52 percent currently. This attempt to diversify is desirable given the specter of protectionism and the fact that 80 percent of Korea's exports go to developed countries.

Tight restraint on imports has been a key factor in Korea's rapid restoration of its balance of payments situation. With the balance of payments justification for import restraint rapidly disappearing, import growth in 1977 should more closely approximate the growth for exports. Suppliers of plant and equipment and industrial raw materials are likely to be the largest beneficiaries of this expanded import demand.

Import data through the first half of 1976 show the U.S. share of the Korean market falling to 22 percent as compared to 26 percent in 1975. The balance of trade with the United States in 1976 was \$530 million in deficit for the United States, in part reflecting ROK self-sufficiency in barley and rice which ended U.S. grain deliveries.

Best prospects for increased U.S. exports to Korea exist in machine tools, metal working equipment, process control instrumentation and equipment where competitive U.S. products are considered superior to Korean products. In general, capital goods, high technology equipment and systems supporting Korea's further industrialization appear to be the basic area for market development efforts by U.S. firms. Adequate financing for export sales remains important, however, if U.S. exporters are to compete with other suppliers, some of whom gain from geographic proximity and consequent lower shipping costs.

The Japanese maintain a favorable balance of trade with the ROK (\$1.3 billion in 1976). In 1976 this bilateral deficit exceeded the ROK's overall trade deficit of \$1.1 billion because the Koreans used overseas capital to acquire Japanese machinery imports. Because of Japanese quotas on consumer products, South Korea cannot sell finished products, often made with Japanese machinery, to Japan.

Among the large array of economic indicators released by the ROK Government, none receives closer scrutiny from potential planners and creditors than the export performance as the principal barometer of Korea's overall economic well-being. To boost export performance the Government has designated 10 firms as General Trading Companies. This policy follows Japanese practice and should enhance South Korea's competitive position. Special preferences are granted these companies, including favorable loans and tax incentives. In return, the firms commit themselves to meet specified export targets. These firms account for between 30 to 40 percent of ROK exports.

#### FOREIGN DEBTS

Growth in the South Korean economy is dependent on both exports and its ability to negotiate medium- and long-term loan agreements. Foreign investment constitutes less than ten percent of South Korea's total capital inflow. In recent years, South Korea has been highly successful in negotiating such loans. As a result, outstanding debts have increased dramatically. By 1981, South Korea will owe \$11.7 billion in long-term debts alone.

The reason for South Korea's success in attracting long-term loans is its export growth, which has expanded faster than its outstanding debts. As a result, South Korea is in a better position now than in 1972 to service the higher debt. This comparison is measured by using the debt service ratio (annual debt service divided by annual gross foreign receipts) :

SOUTH KOREAN DEBT SERVICE PROJECTIONS

[Dollar amounts in millions]

	1972 <sup>1</sup>	1976 <sup>2</sup>	1977 estimate <sup>2</sup>	1981 <sup>1</sup>
External debt.....	\$3,220+	\$7,370	\$8,811	\$12,000+
Debt service.....	397.7	1,058	1,353	2,593
Current receipts.....	2,226.0	9,497	12,260	24,722
Debt service ratio (percent).....	17.9	11.2	11	10.5

<sup>1</sup> Republic of Korea statistics.

<sup>2</sup> U.S. estimates.

The current 10- to 12-percent Korean debt service ratio is healthy by developing country standards.

The proposed withdrawal may force additional South Korean borrowing during the next few years to finance military imports. However, as long as export revenues continue as projected, confidence in South Korea's ability to repay loans should not be greatly affected. This appeared to be the unanimous view of South Korean businessmen interviewed by the Committee staff. Forcing South Korea to finance the compensation package through FMS credits rather than a grant turnover might add 0.5 to 1.5 percent to the annual debt service ratio during the next 10 years, but such an increase is probably manageable.

INVESTMENT CLIMATE

Foreign investment is also important to the economic development of South Korea. The country is dependent on a steady inflow of capital to develop capital-intensive industries.

In 1975 approvals for proposed investment from all foreign countries amounted to over \$200 million, up from \$143 million in 1974. Approvals for U.S. investments, including those by third country subsidiaries of U.S. multinational corporations totaled \$75 million, up from \$38 million in 1974. Actual implementation of investment plans dropped in 1975, however, reflecting delays in economic recovery in the United States and Japan. During the first half of 1976 total investment approvals fell to only \$20 million, with but \$3.7 million from the United States. However, both ROK officials and U.S. business representatives attribute the sluggish pattern of foreign investment in early 1976 to world economic conditions rather than to a less favorable perception by foreign firms of Korea's economic future.

South Korea is also becoming more selective about the kinds of industry to which it channels both domestic and foreign investment. According to the Fourth 5-Year Plan special incentives will be made available for investment in ship construction, iron and steel production, machinery manufacturing and electronics products. Investment

in the social infrastructure will be concentrated in education. Annual fixed capital growth is projected at nine percent, but joint ventures still generally require at least 50 percent domestic ownership.

#### INFLATION

Inflation remains an ever-present problem and has been caused by oil price hikes, a rapidly growing money supply and oligopolistic practices. Wholesale prices increased 15.1 percent in 1973, 44.6 percent in 1974, 20.2 percent in 1975 and 8.9 percent in 1976. Consumer prices rose 26.4 percent in 1974, 25.4 percent in 1975 and 11.4 percent in 1976. An accommodating increase in the money supply during this period (45 percent in 1972, 40.6 percent in 1973, 29.5 percent in 1974, and 25 percent in 1975) contributed to inflation. Only large outflows of foreign exchange assets in 1974 and 1975 prevented higher rates of monetary growth during these years. Agriculture commodity price increases as a result of supply difficulties, and high government support prices for grains also contributed to inflation.

In the past, the Korean Government's answer to inflation has been price controls. The Government is now also trying to reduce inflation by restricting money and credit. Since there are suppressed inflationary pressures in the present economy, continued good management will be required to lower the inflation rate still further toward the 7-percent rate targeted for 1978. This will be especially difficult in light of the inflation pressures caused by the recent value added tax. The crucial question is how the ROK will satisfy her requirements for large annual investments without igniting an inflationary spiral resulting from too large a money supply.

#### ENERGY

Energy resources are almost non-existent in Korea. The largest energy source, coal, is limited in quantity. Confirmed coal reserves amounts to 1,482 million tons out of which recoverable reserves are known to be 537 million tons. Based on the planned production of 18 million tons in 1976, recoverable reserves are equivalent to 30 years' production. The potential for developing hydraulic power is low due to geographical conditions, shortage of rainfall and forest denudation. It was recently reported that oil was found in southeastern Korea, but it is not yet known if producible quantities exist. Consequently, the demand for petroleum products consistently rose as shown below:

Annual average :	Percent
1962-66	22.1
1967-71	39.8
1976-76	9.6

Accordingly, the proportion of petroleum in total energy supply rose every year.

Petroleum composition :	Percent
1962	9.5
1966	16.4
1971	50.6
1975	54.9

Petroleum imports rose from \$206 million in 1972 (8.2 percent of imports) to \$1.6 billion in 1976 (18.3 percent of imports).

The goals during the Fourth 5-Year Plan is to lessen dependence on foreign energy sources. Projected investment in the energy sector totals 2.7 billion won, an increase of 2.9 times over the Third 5-year Plan period. The basic policies designed to achieve this goal are: development and use of domestic energy resources; development of nuclear energy and to reduce dependency on oil; emphasize energy conservation; and increased storage capacity.

These policies, if successful, will certainly have an impact on the increase of petroleum demand. However, the limited domestic resources will hold petroleum demand to the same composition in total energy as in 1976. The Government is now stressing self-sufficiency rather than export potential in energy intensive industries such as steel and petrochemicals.

#### *The Fourth 5-Year Economic Development Plan*

Development of the Korean economy has been guided since 1962 by a series of 5-year development plans. The rate of economic growth has accelerated from a 7.7-percent average for the First 5-Year Plan (1962-66) to 10.5 percent (1967-71) and 10.9 percent (1972-77) during the Third 5-Year Plan. The Fourth 5-Year Plan is aimed at steady 9 percent growth and continued social development. The plan calls for the attainment of a self-sustaining economy, giving policy emphasis to social development and the promotion of technological innovation. According to the plan, the per capita GNP will be increased to \$1,284 in 1981, an increase of 2.4 times over 1975. This does not necessarily mean that the living standard of each person will increase by that amount, but it does forecast a brighter future.

The most noticeable item in the plan is the balance of trade. In order to narrow the trade deficit to the maximum extent, the nation's commodity exports (processed foods, plywood, etc.) during the planned period are projected to increase about 16 percent annually while the import growth rate is scaled down to 12 percent. The export target for 1981 is \$20 billion in current prices, double the projected 1977 total. Given their emphasis on diversification of markets and continued global prosperity, some analysts think they will exceed even these goals.

The success of the Fourth 5-Year Economic Development Plan is dependent in large measure on the ability to obtain sufficient foreign capital. During the plan period a total of \$10 billion in medium- and long-term foreign capital is to be induced into the country mainly for development of mining, manufacturing, power generation and other social overhead capital. Of the total, \$2.3 billion is already in the pipeline and \$2.4 billion is under negotiation.

The variables affecting achievement of the target of 9 percent growth are primarily external: protectionism in world trade, international liquidity problems, an oil crisis and instability in the world monetary system. The primary domestic problems of inflation and a deficit in the balance of payments are probably manageable under present circumstances.

Although South Korea has the underpinning of a dynamic, modern economy, many issues involving human wants and needs remain unresolved. An April 1977 report by 87 Korean university professors noted some problems in this area during the Third 5-Year Plan. These problems included imbalanced growth between agriculture and industry, an overemphasis on big business and not enough attention to social problems such as housing. Nevertheless, economic growth has been substantial and all citizens have benefitted from this achievement. In a fundamental sense, housing, health, education, diet and food have all improved as contrasted to earlier years. South Korea's transformation from a nation dependent on agriculture and foreign grants to a semi-industrialized, middle-income national with very favorable future prospects is one of the success stories of economic development. As a matter of national priorities, everything is subordinated to the twin needs of defense and industrial growth. Government and industry work so closely together that only a war or a prolonged world recession could delay their national effort.

### APPENDIX III

#### POSSIBLE MILITARY MATERIEL PRODUCTION CAPABILITIES, [DELETED] REPUBLIC OF KOREA

South Korea's efforts to produce military materiel other than small arms ammunition began in the early 1970s. Rapid progress has been made; successful programs to produce various ground forces and naval equipment and the assembly of a helicopter are underway. However, a significant portion of the country's production program is still in the planning stage. However, since South Korea began weapons production a full quarter of a century after North Korea, it will have to experience years of successful effort before it can produce the same range and quantities of equipment that the North now produces.

The following table [table deleted] is an assessment of possible production capabilities. Attainment of these [deleted] goals are possible only with the development of the following factors:

Adequate quantities of appropriate machine tooling and increasingly sophisticated machinery must be available from foreign and indigenous sources.

Technology data transfers must be available and provided in a timely fashion.

Adequate numbers of skilled personnel must be available.

Sufficient financing must be available in order to implement planned programs.

Continued availability of raw materials and components is imperative.

It should be emphasized that by [deleted] the domestic arms industry will not be able to satisfy all defense materiel requirements.

In the Army shortfalls will be especially evident for tanks, APCs, some trucks and some types of artillery. The most critical shortfalls will occur in the Air Force and Navy, where major items will have to be obtained from foreign sources.

#### EXPLANATION OF TERMS IN TABLE

*Manufacture.*—To build entirely or mostly from indigenously-built components.

*Produce.*—To manufacture or build with substantial input of foreign manufactured components.

*Assemble.*—To put together from foreign-manufactured components.

*Capacity.*—The highest machine capability—less unavoidable constraints—to produce an item.

*Capability.*—The probable greatest ability to produce an item in 1982.

[Deleted.]

## APPENDIX IV

### *U.S. Forces in the Republic of Korea*

Army (8th Army)-----	32, 950
HQ, UNC/US FK/EUSA-----	
2d Infantry Division-----	
38th Air Defense Brigade-----	
19th Support Brigade-----	
1st Signal Brigade-----	
17th Air Group-----	
4th Missile Cmd-----	
2d Transport Co-----	
Medical Dept-----	
2d Engineer Gp-----	
Other -----	
Air Force (314th Air Division)-----	7, 100
8th Tactical Fighter Wing-----	
51st Composit Wing-----	
Other -----	
Navy and Marine Corps-----	320
[Deleted.] -----	
[Deleted.] -----	

(83)

## APPENDIX V

### U.S.-U.S.S.R. MILITARY FORCES IN ASIA

A comparison between U.S. and Soviet forces in Asia since 1971 shows a trend of U.S. withdrawal while Soviet forces increase slightly:

	1971	1973	1975	1977
<b>United States:</b>				
Military personnel.....	463,435	218,368	173,959	143,694
Fighter aircraft.....	516	507	306	262
Attack aircraft.....	332	227	163	104
B-52 bombers.....	55	201	15	14
Attack carriers.....	6	3	3	2
Other Navy combatants in Asia.....	70	42	31	26
<b>Soviet.....</b>		[Deleted.] <sup>1</sup>		

<sup>1</sup> Includes principal surface combatants and submarines.

This trend is not unusual due to the end of U.S. involvement in Indochina and Soviet reinforcements along the Chinese border. U.S. reinforcement capability could quickly redress this balance if necessary. Redirections in the U.S. naval presence in the Western Pacific, however, does cause some concern for America's Asian allies because it is read as an indicator of reduced U.S. interest in Asia. U.S. troop withdrawals from Korea further dramatize these military trends.

## APPENDIX VI

### *1971-75 modernization plan, Republic of Korea*

<i>Item</i>	<i>Quantity</i>
Ground forces:	
Vehicles	
M-48 tanks	
APC's	
105-MM howitzers	
155-MM howitzers	
8-inch howitzers SP	
175-MM gun SP	
Vulcan	
Nike SAMCAP Battery	
Honest John Launcher	
Hawk (1 BN)	
VHF radios	
AN/GRC-105	
Target acquisition BN equipment	
Reserve division equipment	
Air Force:	
F-5A	
RF-5A	
F-5B	
F-5E	
T-37C	
T-41B	
C-123	
S-2	

(85)

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